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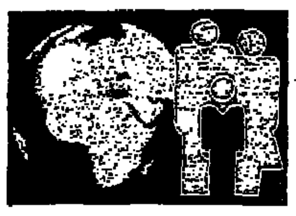
UK regulation
Grey areas of skulduggery
Page 13



Social summit
Hapless agenda for Copenhagen '95
Edward Mortimer, Page 12

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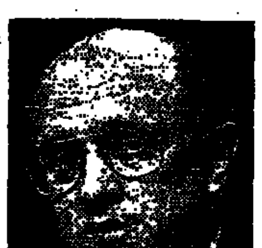
Section III

FINANCIAL TIMES

Europe's Business Newspaper WEDNESDAY NOVEMBER 2 1994 D8523A

Senators criticise CIA for handling of Ames spy case



US senators demanded fundamental changes in the culture of the Central Intelligence Agency and castigated director James Woolsey (left) for his response to the discovery *of Russian spy Aldrich* Ames within the agency's counterintelligence division. The Senate intelligence committee said in a report that "gross negligence" had allowed Mr Ames, who was arrested in February and jailed for life after admitting to spying for the Soviet Union and then Russia, to remain undiscovered for almost nine years. Page 14

Hong Kong Telecom, which is 57.5 per cent owned by Cable & Wireless of the UK, met market expectations with a 15 per cent rise in interim net profits to HK$4.19bn (US$542m), helped by increased equipment sales and rentals. Page 18; Lex, Page 14

TWA cuts losses: Trans World Airlines, the US airline struggling to avert a financial crisis, reported that cost-cutting had enabled it to reduce net losses in its third quarter to $8m from $61.7m. Page 17

BP reports demand ahead of forecast: Demand for petroleum products was exceeding expectations because of economic recoveries in the US, Europe and south-east Asia, British Petroleum said as it reported third quarter replacement cost profits up 23 per cent at £415m ($655m). Page 15; Lex, Page 14

Russia suspends oil exports to Cuba: Russia has suspended oil shipments to Cuba because the Caribbean state has not met its promised level of sugar exports to Russia, Russian trade minister Oleg Davydov said. Page 4

UK bank buys homes loans group: UK banking group Abbey National has bought Household Mortgage Corporation, the UK's largest centralised mortgage lender, with an agreed cash offer of £56.3m. Page 8

Kidnapped Britons freed: Indian police freed three Britons held hostage by alleged Kashmiri militants and arrested five men in connection with the kidnapping.

Australian trade deficit worsens: Australia reported an A$1.809bn (US$1.32bn) current account deficit in September, the second successive month in which it has produced werse than expected trade data. Page 5

González in Seville property row: Spanish prime minister Felipe González was at the centre of a row over newspaper reports that allegedly link his brother-in-law to a speculative property deal in Seville, the Spanish Socialist leader's home town. Page 2

Aga ahead by 23%: Shares in Aga jumped 8 per cent after the Swedish industrial gas group announced a stronger than expected 23 per cent increase in profits to SKr1.18bn ($163.9m) in the first nine months. Page 16

Laidlaw seeks waste subsidiary: Laidlaw, Ontario-based waste services and transportation group, will become North America's biggest hazardous waste operator if it succeeds in acquiring United States Pollution Control, a subsidiary of railway conglomerate Union Pacific. Page 17

US prepares for biggest auction: The US Federal Communications Commission has received 74 applications to bid in its auction of broadband wireless telecommunications frequencies, which it expects to be the largest auction of public sector assets. Page 4

Yorkshire Electricity drops Swedish deal: Yorkshire Electricity of the UK abandoned plans to buy a 17.3 per cent stake in Stockholm Energi, Sweden's third-largest energy producer, after an effective veto from Stockholm city council. Page 15

ECGD admits export credit overpayments: Britain's Export Credits Guarantee Department admitted that mistakes which caused it to make overpayments of £83m ($131m) to British exporters since 1975 may have been going on for more than 70 years, a House of Commons report says. Page 3

Thames Water raises dividend: Water shares forged ahead in London as the market upgraded dividend expectations on the back of a surprise 11 per cent increase in the interim payout at Thames Water. Page 15; Lex, Page 14

STOCK MARKET INDICES

FT-SE 100:	3,098.3	(-1.1)
Yield	4.11	
FT-SE Eurotrack 100	1,331.23	(-5.91)
FT-SE-A All-Share	1,536.51	(+0.0%)
Nikkei	19,916.48	(-73.12)
New York: lunchtime		
Dow Jones Ind Ave	3,861.20	(-26.92)
S&P Composite	469.10	(-3.25)

US LUNCHTIME RATES

Federal Funds:	$4\frac{3}{4}$%
3-mo Treas Bills: Yld	5.197%
Long Bond	$93\frac{1}{2}$
Yield	8.043%

LONDON MONEY

3-mo Interbank	$6\frac{1}{8}$%	($6\frac{1}{16}$%)
Liffe long gilt future:	Dec $101\frac{7}{32}$	(Dec $100\frac{5}{32}$)

NORTH SEA OIL (Argus)

Brent 15-day (Dec)	$17.18	(16.77)

Gold

New York Comex (Dec)	$385.7	(384.9)
London	$383.75	(384.5)

STERLING

New York lunchtime:		
$	1.63065	
London:		
$	1.6347	(1.6308)
DM	2.451	(2.4583)
FFr	8.3878	(8.419)
SFr	2.0443	(2.0513)
Y	158.161	(158.082)
£ Index	80.9	(81.0)

DOLLAR

New York lunchtime:		
DM	1.49945	
FFr	5.1345	
SFr	1.25135	
Y	96.845	
London:		
DM	1.4994	(1.5077)
FFr	5.1313	(5.1633)
SFr	1.2506	(1.258)
Y	96.755	(96.95)
$ Index	60.8	(61.0)

Tokyo close Y 96.82

Austria	Sch32	Greece	Dr350	Malta	Lm0.60	Qatar	QR13.00		
Bahrain	Din1.250	Hong Kong	HK$19	Morocco	MDh15	S.Arabia	SR11		
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30		
Bulgaria	Lv60.00	Iceland	IKr215	Neth	Fl 4.25	Slovak Rp	KSL50		
Cyprus	C£1.10	India	Rs60	Nigeria	Naira90	S. Africa	R12.00		
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225		
Denmark	DKr19	Italy	L3000	Oman	OR1.50	Sweden	SKr16		
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30		
Estonia	EKr 20	Jordan	JD1.50	Philippines	Pso50	Syria	S£50.00		
Finland	FM14	Kuwait	Fils625	Poland	Zl 38,000	Tunisia	Din1.500		
France	FFr9.50	Lebanon	US$1.50	Portugal (mainland)	Esc225	Turkey	L30000		
Germany	DM3.60	Lux	LFr65			UAE	Dh12.00		

WHO pours cold water on spirit of safe drinking

By Frances Williams in Geneva and Clive Cookson, Science Editor, in London

There is no such thing as safe drinking, the World Health Organisation declared yesterday. It launched a strong attack on "a campaign which for some time has been trying to give the *impression that moderate alcohol* consumption could be good for health".

According to Mr Hans Emblad, the Swedish director of WHO's substance abuse programme, there is "no minimum threshold below which alcohol can be con*sumed without any risk*". Alcohol is so dangerous, he said, that the message should be "the less you drink, the better".

The warning provoked a furious counterattack from alcohol researchers. "WHO's statement *is out of date and has not taken* account of many recent findings," said Sir Richard Doll, honorary consultant at the Imperial Cancer Research Fund unit in Oxford. He was principal author of a study published last month showing that a couple of drinks *a day do more good than harm* for middle-aged and elderly men.

"This is the usual set of knee-jerk opinions from the WHO – and scientifically they are wrong," said Mr John Duffy, director of statistics at Edinburgh University's Alcohol Research Unit.

The WHO listed a catalogue of woes associated with alcohol – cancers and chronic liver diseases, dependence, accidents, risky sex, suicides, family problems, violence and crime.

The reduction in risk of heart disease, WHO said, relates only to very low consumption levels – of the order of one drink every other day – and applies only to men over 35 and post-menopausal women. For other groups there was no protective effect, and above two drinks a day the risk of heart disease "certainly increases".

Mr Duffy, on the other hand, said yesterday that men drinking 20-30 units (a glass of wine equals one unit) a week had the *lowest mortality rates in Britain.* He maintained there was no evidence that moderate drinking did more harm than good to young people.

Mr Emblad, a Swede who admits to the occasional glass of wine himself, said studies showing that low alcohol consumption helped prevent heart disease were being misused for "commercial purposes" to promote the idea that drinking in moderation is good for health.

The WHO, Mr Emblad said, *was not advocating prohibition:* "We live in the real world."

But Mr Duffy said that in the real world there were also political interests keen to promote the idea that all drinking is bad – notably the state alcohol monop*olies in Nordic countries wanting* to use the health argument to protect their markets against cheap imports when they enter the EU.

14-point declaration paves way for common market from Atlantic to the Gulf

Mideast pledge on trade zone

By Julian Ozanne and Mark Nicholson in Casablanca

Political and business leaders yesterday took the first steps towards creating a Middle East economic common market from the Atlantic to the Gulf, based on the free movement of goods, services and labour.

The three-day Middle East and North Africa economic summit in Casablanca was itself a sign of the progress made in peace negotiations in the region, and *showed the willingness of past* adversaries to discuss business.

A closing declaration pledged governments to "building the foundations" of an economic community, establishing a regional tourist board, and study*ing the creation of a Middle East* development bank.

The 14-point declaration also said governments would encourage the establishment of a private sector regional chamber of commerce and business council *to facilitate* intra-regional trade. It also hopes to develop a partnership between the public and private sectors and produce further free market reforms.

The declaration looked forward to "rapid movement" towards a regional peace which would include Syria and Lebanon, though both countries boycotted the event.

It said peace must be "powerfully reinforced by solid economic growth and palpable improvement *in the life* and security of the peoples of this region". A follow-up conference is to be held in the Jordanian capital Amman before June next year.

Mr Shimon Peres, Israeli foreign minister, said the revolutionary declaration was "not a piece of paper, but a birth" of a new Middle East which would allow Jews, Moslems and Christians to move freely across borders without fear.

Mr Klaus Schwab, president of the summit's co-sponsors – the World Economic Forum – welcomed the talks and called on participants to "turn contacts into contracts".

The companies attending the conference, which brought together 1,200 international businessmen, included consumer product groups such as Unilever and *Coca-Cola*, as well as some leading engineering companies seeking a share of any planned infrastructure projects.

The event ended on a note of conciliation when Crown Prince *Hassan* of Jordan said yesterday his country would hand over administration of Islamic sites to Palestinians when Israel and the Palestine Liberation Organisation reach a final settlement on the status of the holy city.

The statement was aimed at defusing tensions between Jordan and the PLO after Israel recognised the special custodial role of King Hussein of Jordan over the sites in last month's Israel-Jordan peace treaty.

The declaration sought to calm PLO fears that it was being marginalised at the summit by urging attention from international aid donors and private companies towards the plight of Palestinians and by implicitly criticising Israel for closing the borders with the Palestinian territories two weeks ago.

Mr Peres, addressing PLO chairman Mr Yassir Arafat, said: "We consider the Palestinian people the heart of the problem and we want to solve it together rightly and justly."

Mr *Arafat said Palestinians* were expecting the dawning of "a new era and new region" and said negotiations over the future of Jerusalem should mark a "new vocabulary of dialogue" among Islam, Christianity and Judaism.

Building new bridges: Yassir Arafat and Shimon Peres at the summit where each looked to a just solution of Palestinian problems Reuter

Page 6

- Tricky task to lay Mideast bank's foundations
- Joint venture group aims to be investment catalyst

Astra joins Merck in US drugs marketing venture

By Richard Waters in New York

Astra, the Swedish pharmaceuticals group, yesterday paid $820m to Merck, the US's biggest drugs company, for 50 per cent of a joint marketing venture.

The new company will take over marketing one of the biggest prescription medications in the US, the anti-ulcer drug Prilosec, which had sales of $684m in the first nine months of this year.

Until now, the drug, developed by Astra, has been sold in the US by Merck, under a royalty agree*ment with the Swedish company.*

The new joint venture, named Astra Merck, will also develop and market new drugs from Astra and other companies. New gastrointestinal and cardiovascular drugs are likely to be the first *considered by the joint venture,* which could put it in direct competition with Merck. The US group's Vasotec and Mevacor are among the country's leading cardiovascular drugs.

Yesterday's deal follows a 1991 *agreement between the Swedish* and US groups, which have co-operated in the US since 1982. The 1991 agreement provided for Astra to buy a 50 per cent stake in a new US joint-venture company, provided sales by Merck of Astra products reached a certain level.

The trigger point was reached in the middle of 1993, said Dr Hakan Mogren, president and

Continued on Page 14

Moscow in IMF talks over plan to peg rouble to dollar

By John Lloyd in Moscow

The Russian rouble could be stabilised early next year if Moscow and the International Monetary Fund can agree a plan to peg the currency to the dollar, cut inflation and reform the *country's fiscal system.*

The plan, being discussed by the fund, would be the boldest step since Russia's first attempts in 1992 to promote a market economy. However, the proposals carry the risk of a far more costly currency collapse than occurred last month, when the rouble fell nearly 25 per cent against the dollar in one day, and the central bank was forced to pump in foreign exchange to support it.

Under the plan, Russia would be *able to use IMF funds to sup*port the rouble against speculative movements in the currency markets.

Mr Konstantin Kagalovsky, the retiring Russian executive director of the IMF, said the plan depends on agreement by the fund to provide between $14bn and $16bn to support market *reforms in Russia* next year. *This* would be by far the largest amount paid out to Russia or any other country over such a limited period.

The funds would be in the form of a standby loan of $6bn; an *additional $2bn tranche of a* reconstruction loan – Russia has already received its limit of $3bn from the original loan – an issue of special drawing rights worth about $2bn; and a stabilisation fund of $6bn.

Such funds, especially the reconstruction facility and the SDRs, are controversial and will require delicate negotiation by Mr Michel Camdessus, the IMF managing director.

His proposal to extend the *reconstruction facility* and an issue of special drawing rights to developing countries and economies was rejected at the IMF Madrid summit last month by a majority of the fund's members.

Mr Kagalovsky added that the stabilisation fund would need to be paid to Russia to be used, under agreed conditions, as Rus*sia saw fit to support the rouble* once it had been "pegged" to an exchange rate against the dollar. This would mark a departure from the IMF's normal approach – evidenced in its $1bn fund to back the Polish zloty when it was *pegged in January 1990* – which is to promise support for the currency but not to pay it to the country in question.

Bankers believe the rouble would be pegged at a lower rate than its present level of around Rbs3085 to the dollar, at perhaps Rbs3,500-3,700 to the dollar.

Stabilisation would go hand in hand with a tough monetary and credit policy, a refusal to use credits from the Russian central bank and a determined effort to *improve tax collection* - running in the current year at about half of the forecast income. Much of this has already been promised in the draft 1995 budget.

Talks on an IMF deal will resume in November.

Currencies, Page 30

CONTENTS

NEWS: EUROPE

Russian PM calls off visit to Poland

By John Lloyd in Moscow

The Russian prime minister, Mr Victor Chernomyrdin, last night called off a two-day visit to Poland due to start tomorrow because of an increasingly bitter dispute over alleged Polish police brutality towards Russians in Poland.

The move, announced on the main Ostankino channel television news, comes in spite of the planned signing of a multi-billion dollar deal to construct a gas pipeline which would allow Russia to escape from its dependence on Ukraine for the transport of one of its most valuable exports to the west.

The row, which has worsened in the past two days, concerns an incident in Warsaw's eastern railway station on October 23. According to the Russian side, several Russian passengers were beaten by Polish police and jailed.

Mr Chernomyrdin had earlier yesterday cancelled a scheduled news conference with a group of Polish journalists because, according to Mr Valentin Sergeyev, his press secretary, "Russia has not yet received a satisfactory reply from the Polish authorities to its protest about the incident".

Mr Artur Michalski, a senior diplomat at Warsaw's embassy in Moscow, said last night that the Polish note, sent yesterday to the Russian foreign ministry, had expressed "regret" at the incident. However, it had underlined that the Polish government could not comment further while an investigation was proceeding.

Mr Michalski stressed that the Russian consul in Warsaw had been informed immediately about the incident on the day it happened. Because it had not been a working day, however, a representative of the Russian consulate had not contacted the police or the Russians detained by them until the next day.

The incident has become a *cause célèbre* in the Russian press and in political circles, with a range of public figures calling on Mr Chernomyrdin to cancel his trip.

The hope expressed by Mr Sergei Krylov, a deputy Russian foreign minister, that the incident and the visit should be viewed separately, now seems to have been dashed.

Mr Chernomyrdin had been due to sign an agreement on the inauguration of parallel gas pipelines from Poland through Belarus to the Yamal peninsula in northern Siberia, where there is a huge natural gas field. The project is said to be worth \$40bn (\$2.5bn of it in Poland) and to be capable of handling 67bn cubic metres of gas worth \$5.5bn a year.

The line will allow Russia to bypass Ukraine, through which the only pipeline carrying Russian gas to the markets of central and western Europe now passes – and which, in the past, has proved vulnerable to Ukrainian pressure when Moscow has tried to cut supplies to Ukraine because of its failure to repay debts.

According to today's issue of the Sevodnya daily newspaper, the Russian company Gasprom and the Polish company Europol have already reached agreement on the construction of 665km of parallel pipes in Poland. A separate accord has been reached with Belarus to build 575km of pipelines.

The incident illustrates the vulnerability of the Russian government to growing nationalist pressure – and to the increasing number of incidents involving Russians and Poles, especially in the street markets in Warsaw and other cities.

Finance company chief hopes poll victory will ensure immunity from prosecution

MMM shares 'suspended' by Mavrodi

By John Lloyd

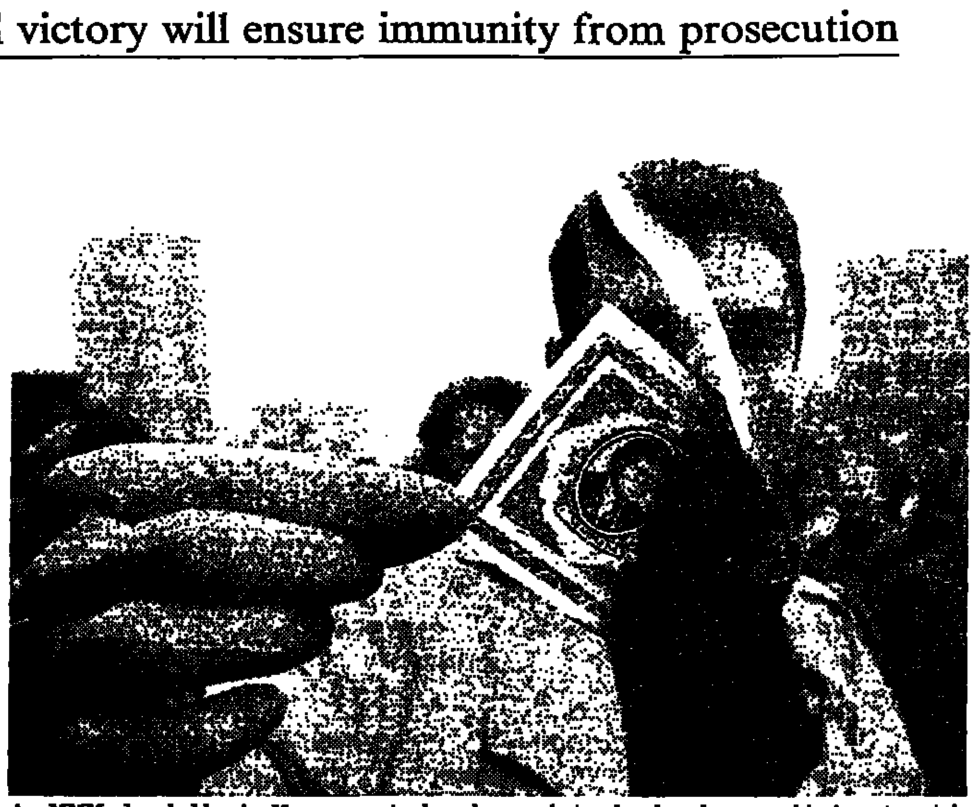
Mr Sergei Mavrodi, head of the MMM finance company and newly-elected deputy to the Russian state duma (lower house) yesterday moved quickly to escape his obligations to thousands of shareholders who had bought shares in his pyramid selling operation earlier this year – apparently banking on the immunity from prosecution which a deputy's status confers.

An announcement from MMM said that the shares issued earlier this year were "temporarily suspended" from November 1 until January 1. This was interpeted by the crowd of some 3,000 massed outside the company's offices as a declaration of their worthlessness. The announcement said the decision had been taken "because of the concentration of the shares in the hands of middlemen and speculators".

The MMM chief won his duma seat in a by-election on Sunday for the Moscow suburb of Mytishchi. He did so in part by promising to spend \$10m of his own money on improvements to the town, in part by presenting himself as a victim of government repression at a time when the public view of the authorities is very low.

He has also begun to issue new shares with a face value of Rbs1,000, promising that they will reach the level of Rbs125,000 held by the old shares before they crashed in the summer. The collapse followed government statements that MMM was shaky and the arrest of Mr Mavrodi on charges of tax evasion.

Though Mr Mavrodi and his entourage have trumpeted his immunity since the results of the election became known on Monday, the authorities are refusing to drop the case which concerns alleged tax evasion by his Invest-Consulting company. Mr Alexander Borisov, a spokesman for the Moscow tax police, said last night that the case concerned an alleged non-payment of Rbs70bn in taxes and that it would be continued.



An MMM shareholder in Moscow yesterday shows what value he places on his investment in Mavrodi's company
Reuter

Mr Mavrodi had been supported in the campaign by the ultra-nationalist Liberal Democratic party led by Mr Vladimir Zhirinovsky, who personally toured the voting stations on Sunday to ensure that the election was fair. In an interview yesterday, Mr Konstantin Borovoi, leader of the Economic Freedom party who came third in the race, said the result showed that "a new and dangerous factor has appeared in politics – the LDP plus money".

The victory of Mr Mavrodi "is a sign that some businessmen have begun to help the LDP with their money". This, he said, was because they had ceased to trust the government and were now looking for an alternative source of power.

Mr Borovoi said that he would protest against the result of the by-election on a range of irregularities.

Frankfurt bank shut because of bad loans

By Christopher Parkes in Frankfurt

German finance market watchdogs yesterday shut down a Frankfurt bank which had been crippled by bad loans to clients allegedly introduced to it by Mr Tevfik Ozal, son of Turkey's late president, Mr Turgut Ozal.

The Deutsch-Schweizerische Bank, which recently passed into the control of Mr Sergio Cuoghi, an Italian investor, had its licence withdrawn and about DM100m (£41m) in customer deposits frozen.

The action was taken, said the banking supervisory office, because "considerable additional valuation adjustments and write-offs" were needed in its credit business.

According to the latest available figures, DSB, a small, unprofitable operation, had a balance sheet total of DM233.8m at the end of 1992, down from DM400m two years earlier.

A statement from the bank yesterday said it had been left with no basis for continuing in business after Mr Cuoghi failed – despite "several reminders" – to inject new capital and credit guarantees due in mid-September.

Mr Cuoghi, who was described in the statement as the "extremely rich" head of the EhroFin financial group with offices in Geneva, London and New York, recently bought 75 per cent of DSB from Mr Ozal and the Alem Bank of Kazakhstan for an undisclosed sum. The remaining 25 per cent is held by the Zug-based Swiss Cantobank.

Mr Ozal resigned his management board seat two weeks ago after Mr Cuoghi took control, according to Mr Volkmar von Alten, a DSB director.

Mr von Alten, a member of the bank's management board since last February, said bad loans to three Turkish banks which were the cause of DSB's problems had been on the books when he arrived. The banks, introduced by Mr Ozal, had since been ordered to close by the Ankara government.

"I am not responsible. It is very difficult to judge what has happened," he said, adding that he would offer to resign once the affair was cleared up. The scale of the bad loans was "not outrageous, but enough".

Mr von Alten, formerly a senior manager at Dresdner Bank, said he was certain Mr Cuoghi would meet his commitments, including the injection of additional capital, possibly by as early as this week.

As for the future of DSB, he said that Mr Cuoghi, rather than applying for a new licence to operate the business as a bank, intended to run it in future as a "finance and investment house". "I think Mr Cuoghi is a good businessman and is determined to stick to his commitments," he said.

Mr Cuoghi was at his offices in Chelsea, London, yesterday, but could not be contacted for comment.

Bossi threatens budget debate fight

Robert Graham reports from Rome on the Northern League leader's war of nerves

The unity of Italy's fractious right-wing coalition faces a vital test later this week when discussion of the 1995 budget begins in the chamber of deputies.

Mr Umberto Bossi, leader of the populist Northern League, has been waging a war of nerves with his coalition partners during a month of haggling over budget details at the commission stage. Now Mr Bossi has pledged to raise the stakes by threatening to embarrass the government in the chamber.

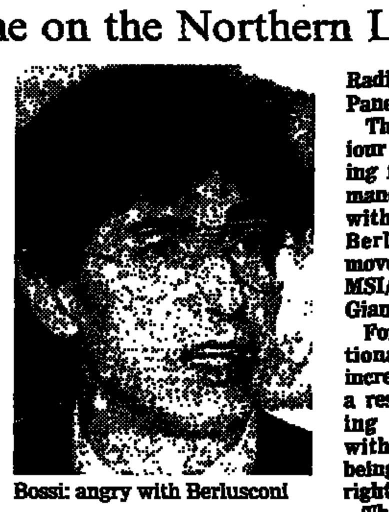
The League has the largest number of deputies in the coalition, and in commission negotiations sided on several occasions with the opposition against the government. However, the League's much publicised threat to reduce the scope of pension cuts – a central element of the planned saving in public spending – was never carried out.

The budget commission approved the final form of the 1995 budget, plus a special accompanying law, on Monday.

This respects the government's original broad objective of finding L50,000bn (£20bn) in fresh revenues and, through spending cuts, to hold the 1995 public sector deficit down to 8 per cent of GDP.

Mr Bossi has nevertheless hinted that the skirmishes in the commission were merely a foretaste of what would occur in open parliamentary debate.

He is still furious that his candidates for one of the two Italian commissioners to the EU were overlooked last weekend. Mr Silvio Berlusconi, the prime minister, snubbed the League and chose Ms Emma Bonino, pushed by the small Radical grouping of Mr Marco Panella.



Bossi: angry with Berlusconi

The League leader's behaviour is conditioned by a growing fear that he is being outmanoeuvred and marginalised within the coalition by Mr Berlusconi's Forza Italia movement and the neo-fascist MSI/National Alliance of Mr Gianfranco Fini.

Forza Italia and the MSI/National Alliance are moving increasingly close together. As a result the League risks losing its federalist identity within the coalition, while being dragged too much to the right.

The fight to retain the League's identity becomes increasingly important as limited local elections are scheduled for the end of the month.

Within the League, Mr Bossi's intemperate behaviour and constant fights with his coalition allies have begun to cause serious strains.

Three deputies have already left the League parliamentary group to sit as independents and more are threatening to desert.

Mr Roberto Maroni, the interior minister and senior League figure in the government, shows signs of growing impatience with Mr Bossi.

Mr Maroni's skilful diplomacy has been largely responsible for not only mediating between Mr Bossi and Mr Berlusconi, but also for keeping the League MPs together. But this week he openly criticised Mr Bossi for making life so difficult for the League ministers by his sniping at the government from outside.

González in row over corruption claims

By Tom Burns in Madrid

Prime minister Felipe González was yesterday at the centre of a row over reports in the Madrid newspaper El Mundo that allegedly link his brother-in-law to a speculative property deal in Seville, home town of the Spanish Socialist leader.

Mr González was also seeking to distance his government from Swiss-born Italian businessman Mr Ferdinando Mach di Palmestein who was arrested in Paris at the weekend on warrants issued by Milan's anti-corruption magistrates. Mr Mach di Palmestein is reported to have acted as a middleman between the Rome and Madrid governments in Italian takeovers of Spanish companies.

Speaking at a news conference in Casablanca on Monday, where he was attending the Middle East and North Africa economic summit, Mr González fiercely denied allegations that his brother-in-law, Mr Francisco Palomino, a Seville businessman, had made Pta346m (£1.7m) last year when he sold an industrial estate that he had acquired in 1989 from an agency of the public works ministry.

Mr González said the allegations were a "calumny". He said the report on Mr Palomino's property deal was "false and was published in the knowledge it was false".

The prime minister also said that press reports about Mr Mach di Palmestein's dealings with the Spanish government and the ruling Socialist party were part of the same "campaign of lies and defamation" as well as an attempt to "copy certain models from abroad".

Yesterday Mr Palomino said he had not been connected to the property company at the time when it had bought and later sold the industrial estate in Seville.

But El Mundo printed documents purportedly signed by Mr Palomino that apparently link him to both the acquisition of the property from a real estate agency called Sepes, which is controlled by the public works ministry, and to its subsequent disposal at a high price to a subsidiary of the big domestic construction company, Dragados y Construcciones.

The new twist to the allegations provided by El Mundo's publication of documents could prove highly embarrassing for the prime minister.

Mr Palomino was involved in considerable controversy during the 1980s when he attempted to develop coastal land close to a large wild life resort south of Seville.

EUROPEAN NEWS DIGEST

Clashes worsen across Bosnia

The war in Bosnia was in danger of escalating yesterday amid reports that rebel Serb forces in Croatia have mobilised to aid their ethnic allies across the frontier and Bosnian Croats have joined a Moslem offensive in the north-west.

Some 2,000 Serb fighters from Krajina, the self-styled Serb state in Croatia, are ready to cross into neighbouring Bosnia, say local Serb leaders. Bosnian government troops last week launched an offensive from Bihac, the north-western Moslem enclave which is also a UN-designated safe area, gaining some 250 sq km of territory from their Serb foes.

The threat of Serb retaliation yesterday increased with reports that Bosnian Croats have joined Moslem troops in the region. "They have taken up Serb positions on the west bank of the Una river, south of Bihac town," said Mr Paul Risley, UN spokesman in Zagreb. HVO troops, Bosnian Croat forces, had even engaged Krajina fighters in Croatia itself, along the western flank of the Bihac pocket, said Mr Risley. The HVO had also moved troops to the confrontation line near Kupres, in central Bosnia, where Moslem forces had also gained ground against the Serbs. The stepped-up involvement of the HVO will make it more difficult for international mediators who have been trying to broker a deal between Zagreb and Krajina Serbs and may also put Serbia's President Slobodan Milosevic under pressure to intervene. *Laura Silber, Belgrade*

Canal-Plus leads digital race

Canal-Plus, the French media group, is expected to be the first European broadcaster to launch a digital television service when it starts digital transmissions late next year. Société Européene des Satellites (SES), the Luxembourg-based company that operates the Astra satellites, said yesterday that it had signed a contract with Canal-Plus for the French company to relay a digital service from the Astra 1E and Astra 1F satellites, which will be launched in 1995 and 1996 respectively. Digital television, which enables broadcasters to relay higher quality screen images and to transmit up to 10-times the usual number of channels from each satellite, is already on stream in the US, where Direct TV began digital transmissions this summer. Almost all the main European broadcasters have expressed interest in launching digital services over the next decade, but Canal-Plus is the only European broadcaster to have committed itself to booking satellite space for its forthcoming service. The French company, according to SES, could start digital transmissions from late next year when descrambling devices will be available. *Alice Rawsthorn, London*
See Editorial Comment

Yeltsin sacks general in probe

General Matvei Burlakov, deputy Russian defence minister and the centre of press and political allegations of massive corruption in the Western Group of the armed forces which he had commanded until September of this year, was sacked by President Boris Yeltsin last night. The presidential decree said that Gen Burlakov, 59, had been fired "to preserve the honour of the Russian armed forces and its leaders ... in connection with investigations which are currently in progress". The sacking comes two weeks after the murder of a young journalist, Dmitry Kholodov, who had been investigating the allegations of corruption and had already published details of it. The move puts in doubt the future of Gen Pavel Grachev, the Russian defence minister, who had strongly defended Gen Burlakov and refuted the allegations of corruption. *John Lloyd, Moscow*

Danish tax minister resigns

Mr Ole Stavad, the Danish Social Democrat minister of taxation, resigned yesterday when he accepted responsibility for a controversial rescue action for a Jutland bank in 1993. He was replaced by another Social Democrat, Mr Carsten Koch, an economist with a career in the labour movement. Mr Stavad has been under pressure to resign since his officials agreed, and he approved, a tax write-off which was demanded by a Jutland savings bank, Sparekassen Nordjylland, as the price for taking over most of the assets of Himmerlandsbanken, which serves the town of Hobro, in Mr Stavad's constituency. A recent report from a judicial inquiry confirmed that officials involved had acted illegally. *Hilary Barnes, Copenhagen*

ECONOMIC WATCH

Finnish unemployment rises

Finnish unemployment rose to 17.7 per cent in September from 17.1 per cent in August, breaking a downward trend which has seen joblessness fall from a peak of more than 20 per cent at the start of the year. The figures confirm the recovery in the economy after three years of recession, but emphasise the gulf between the booming export sector and the still sluggish domestic economy. Industrial employment is rising, but the situation has yet to improve in the retail, construction and service sectors. Finland has experienced one of Europe's worst unemployment crises because of the loss of vital trade with the former Soviet Union, the bursting of a huge 1980s credit boom and international recession. However, the situation has helped to keep the lid on inflation. The Bank of Finland said yesterday there were no signs that core inflation would be above the target level of 2 per cent, but uncertainties, including autumn pay talks, meant no easing of monetary policy was possible. *Christopher Brown-Humes, Stockholm*

■ Denmark's current account surplus for July fell very slightly to DKr2.60bn (£271m) compared with a surplus of DKr2.56bn a year earlier. In August, the current account surplus also declined slightly to DKr4.1bn from DKR4.3bn for the same month last year.

■ Romanian industrial output in September rose 2.8 per cent after falling 1.4 per cent in August. It rose 6.0 per cent year-on-year.

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Brussels lowers its sights over EU employment rules

David Goodhart, Labour Editor, chronicles a marked retreat by the Commission

When Mr Padraig Flynn, the European Union's pragmatic social affairs commissioner, unveils new plans for Europe-wide employment legislation early next year, the UK government will almost certainly lay about them with relish.

But the predictably noisy response will not disguise a marked retreat by Brussels from rule-making in employment. The scheme Mr Flynn is working on will be a mere echo of the aggressive "social action programme" published by the European Commission in 1989.

Already, the new emphasis on job creation of last December's white paper on employment by the outgoing Commission president, Mr Jacques Delors, and Mr Flynn's own, more recent, one on European social policy has led to a more cautious attitude towards further Europe-wide legislation.

Insiders now talk about turning DG5 – the Commission's social and employment affairs directorate-general – into Europe's employment "think-tank", spreading the latest ideas about job creation, rather than Europe's "labour ministry" imposing new regulations.

This would suit Mr Flynn. Ireland's only commissioner, he held on to the social affairs job last weekend when Mr Jacques Santer, the incoming Commission president, redistributed portfolios. He does not have strong convictions on most employment issues. He is happy to move with the less regulatory times in Europe, but he is also aware that the European parliament and Europe's trade unions have to be kept sweet.

He will thus certainly make some proposals for further legislation when he unveils his own social action programme in March. These are likely to include measures requiring employers to train, and further measures on sex equality and working time.

But that will constitute a tame list compared with the one drawn up in 1989 by Ms Vasso Papandreou, the more activist Greek social affairs commissioner.

It was that long list – including directives on controlling working time, European works councils, and young workers – which led to constant battles between Britain and Brussels, and then to Britain's right to "opt-out" from some employment legislation agreed in the Maastricht treaty in 1991.

Over the next few months Mr Flynn still needs to clear up the loose ends of that 1989 programme, in particular the "posted workers" directive and a directive on part-time work.

Both of these, which are still in draft form until voted into EU law by ministers, have aroused controversy in several member states (which is why they have not been tackled earlier) but they also have strong support, especially from France and Germany.

Under the posted workers directive, companies sending employees to work in other EU states would have to observe the terms and conditions operating in those states. Countries such as Portugal, Greece, Ireland and Britain, which have large numbers of their citizens working abroad, have resisted the directive. There is also disagreement between member states about whether it should be subject to majority or unanimous voting when it is discussed by employment ministers on December 6.

However, France is backing the draft directive strongly partly because it has just passed domestic legislation requiring foreign employers to pay French wage rates and wants to avoid legal proceedings against it on competition grounds.

The Bonn government, which currently holds the EU presidency, also backs the directive, although it is ready to restrict it to the construction sector which is where Germany has been most affected because of its unification-driven construction boom.

On the part-timers draft directive, which requires part-timer workers to receive the same hourly pay and conditions as full-timers, Bonn is keen to press the issue because it fits with its domestic agenda of promoting part-time work.

The British government has the power to block this particular directive because it is subject to unanimous voting, and barring a big surprise it will use that power. That means the issue is likely to become the second issue to trigger the British "opt-out". It will probably be passed in all other member states next year.

The part-timers directive will be only the second directive to exclude Britain – following the directive on European works councils earlier this year – and will thus cement a "multi-speed Europe" at least in the employment field. Although Brussels is in theory opposed to this approach in the employment field, and wants to draw Britain back into the fold, it may become a model for other parts of the EU as it expands.

NEWS: WORLD TRADE

MPs expose 70-year trail of export credit errors

By Guy de Jonquières, Business Editor

Britain's Export Credits Guarantee Department has said administrative mistakes which caused it to make overpayments of £83m ($131m) to British exporters since 1975 may have been going on for more than 70 years.

The admission is contained in a report yesterday from the House of Commons Public Accounts Committee. It severely criticises the ECGD for sloppy administration, poor internal controls and slowness in deciding whether to discipline staff responsible for the mistakes.

The Department of Trade and Industry has already decided not to try to recover the overpayments, most of which arose from insurance of export orders from Nigeria.

The committee said the overpayments, first disclosed by a National Audit Office report in February, had occurred because ECGD officials had misinterpreted policies governing recoveries on supplier credit insurance to exporters.

After the department took legal advice, its London office had applied the correct approach since 1990, However, its older Cardiff office – which now belongs to NCM, the Dutch export credit insurer – continued to misinterpret the rules until 1992.

The ECGD told the committee that though overpayments had been traced back to 1975, it was unsure when the misinterpretations began and "believed it possible" that they had taken place since 1919.

The committee also said the ECGD had given "conflicting evidence at different times" about how far its inability to provide a more accurate figure for overpayments was due to its destruction of case files.

The committee expressed concern that internal audit procedures had not discovered the two offices' different methods, which had been detected only in 1992 by independent consultants brought in to computerise the department.

The committee expressed surprise that the ECGD had not sought proper legal advice on how to interpret a new form of credit guarantee introduced in 1975. It said this had produced a "sloppy system", made worse by lack of co-ordination between the London and Cardiff offices.

The report said the overpayments had prompted the ECGD to review its operations and strengthen links between its administrative staff and lawyers.

However, the committee expressed concern that almost two years after the differences in the ECGD's methods had been discovered, the department had still not decided whether to take disciplinary action against its staff.

Export Credits Guarantee Department Appropriations Accounts 1992-93: Irregular Payments to Exporters. House of Commons Committee of Public Accounts. £10. HMSO.

US and Japan extend deadline on glass talks

By Michiyo Nakamoto in Tokyo and Nancy Dunne in Washington

Japanese and US trade officials yesterday said that few outstanding issues remained over measures to improve foreign access to Japan's market for flat glass, despite the failure of talks to secure an accord.

Japanese officials were confident that an accord could be reached after further negotiations, since the two sides have already agreed the basic principles for opening Japan's flat glass market to imports.

"The calendar has just been extended," said Mr Ryutaro Hashimoto, Japan's minister for international trade and industry, who said the negotiations would continue later. "We made some progress but . . . some technical and practical problems remain," the trade minister added.

Mr Mickey Kantor, the US Trade Representative, also put a positive spin on the failure to reach agreement within the 30-day deadline which expired on Monday.

Discussions, he said, would continue "for a limited period of time." Progress had been made, and only a few technical and substantive issues remained outstanding.

Japan has agreed to promote the use of foreign-made glass in some government-funded facilities which would serve as model projects.

There is also broad agreement on the use of objective criteria to measure progress in import penetration. Differences remain, however, over whether the objective criteria should be forward-looking, as the US hopes, or should only measure past developments, as the Japanese insist.

Japanese officials are concerned that forward-looking measures could turn into restrictive targets aimed at ensuring a specific market share for foreign products in the domestic glass market.

Mr Steve Farrar of Guardian Glass said the US glass industry was "disappointed" in the failure to reach agreement in the month but urged continuing talks over the next few weeks.

If agreement is not reached soon, however, Mr Farrar urged the bringing of a Section 301 case, which provides for sanctions at the end of a year of investigation and negotiation.

US officials have been concerned about the slow pace of negotiations since agreement was reached in principle on October 1. In announcing the agreement, Mr Kantor said he expected "three-quarters of the

Hashimoto: Difficult to know what to believe

100 largest Japanese wholesalers and glaziers would obtain 30 to 40 per cent of their flat glass from non-traditional sources, a mixture of both foreign and domestic".

Mr Hashimoto subsequently wrote to Mr Kantor challenging this. "I hope this is some sort of misinterpretation of your remarks," he wrote. "But I would like to urge you to refrain from making such remarks which could be interpreted in effect as requesting numerical targets. Such a comment clearly makes our future talks more difficult."

While the latest round of talks did not produce results, Japanese officials remained optimistic that agreement could be reached. Trade in glass products is not an emotive issue and it is unlikely that US trade officials would risk aggravating tensions with Japan over a sector in which it usually has a bilateral trade surplus, a trade official said. Last year Japan bought Y3.4bn ($34m) more flat glass from the US than it exported there, according to Japanese government trade statistics.

The situation was less promising in the parallel talks on vehicles and vehicle parts. Negotiations have not been resumed since the US cited Japan's vehicle parts aftersales market as being characterised by "unfair and discriminatory trade practices" and unilaterally began an investigation under Section 301 of its trade act.

Mr Hashimoto yesterday reiterated that the use of Section 301 remained a major obstacle to resuming negotiations on these markets.

"Section 301 is still in effect. It is difficult to know what to believe when on the one hand they are saying "we are going to hit you" and on the other they expect friendly talks," he said.

Japan to press Apec on trade liberalisation

By William Dawkins in Tokyo

Japan will signal its clear support for a degree of regional trade liberalisation at the Asia-Pacific Economic Co-operation Forum summit in Bogor, Indonesia, in two weeks' time.

It will press for a middle way between the free trade zone advocated by the US, Canada and Australia and the loose regional alliance preferred by east Asian members of the 17-nation forum, said Mr Tetsuya Endo, Japanese ambassador for Asia-Pacific co-operation.

Until recently, Tokyo has taken a mildly negative back seat at Apec, reflecting a split between the foreign ministry, slow to accept the forum's value, and the ministry of international trade and industry, eager to push Apec as a trade and investment opportunity. Support from Indonesia, this year's holder of Apec's rotating chairmanship, is one factor in tipping the government in favour of Apec.

The summit is expected to make a commitment to liberalise trade between Apec members by a target date, possibly 2020. Japan is eager to see Apec, representing half the world's trade, make this modest step forward from the vague accord of the first leaders' summit in Seattle last year, Mr Endo argued.

But for agreement on a liberalisation deadline, details of what free trade entails must be left for later summits, said Mr Endo. That would leave it up to Japan, which takes the Apec chairmanship in 1995, to produce practical free trade steps in time for next year's summit in Osaka. "Whether we like it or not, the burden will fall on Japan," said Mr Endo.

Japan "is not adamant at all on the creation of a free trade area," but does support a first small step in that direction, the unconditional granting of Most Favoured Nation trading status between Apec countries, he said.

Tokyo shares some of the US preference for encouraging Apec to develop into a trade negotiating forum, but only for settling trade disputes that cannot be resolved bilaterally or by the new World Trade Organisation. A three-layered world trade system, of the WTO, regional bodies like Apec and bilateral relations, was "best for Apec and Japan," said Mr Endo.

Japan accepts that moves to free trade in Apec need to be accompanied by government and private sector efforts to help poorer members to modernise, likely to be an important point of the Bogor talks, said Mr Endo. Tokyo and other rich members will push for the Apec summit to agree on more concrete steps, such as a code on cross-border investment rules. This is likely to be agreed by trade and foreign ministers before the leaders' summit. They are also expected to set up a committee to work for common Apec-wide standards for manufactured goods and food and joint customs procedures.

Uruguay deal will boost US output

By Guy de Jonquières, Business Editor

US economic output will be boosted by about $65bn a year by 2004 as a result of higher efficiency generated by trade liberalisation agreed in the Uruguay Round, according to a study by the Washington-based Institute for International Economics.

The institute says tariff reductions planned in the round will increase US net exports by $19.1bn and create 265,000 jobs by 2000.

The authors reject as groundless objections by some members of Congress that US sovereignty will be undercut by the new World Trade Organisation, which is due to succeed the General Agreement on Tariffs and Trade on January 1.

Published barely a month before Congress reconvenes for what promises to be a close vote on ratification of the Uruguay Round, the study will provide ammunition for the Clinton administration in its efforts to secure approval of the deal.

The study says that if tariff cuts agreed in the round are phased in over five years from next year, they will lead to increases of $41.9bn in US exports and $22.7bn in imports by 2000.

US consumers would gain $11.7bn a year in the same period from lower prices from reduced tariffs on imports, while US exporters would gain about $10.9bn from improved opportunities on foreign markets. US tariff revenue, meanwhile, would fall by $11.4bn.

By 2004, tariff cuts, the benefits of planned liberalisation of textile trade and dynamic economic gains generated by the round should add $65bn to US output, or roughly 1 per cent of gross domestic product.

The authors say the forecasts are conservative, because they exclude the effects of planned liberalisation in world agricultural trade and public procurement, and of possible agreements in the WTO to free international competition in services.

They say that though the Uruguay Round promises to produce a modest increase in US employment, its most important result will be to stimulate the creation of more productive and better paid jobs.

Fears that the WTO will reduce US sovereignty are misplaced, they say, because the organisation must act by consensus and cannot impose decisions on the US which conflict with its national laws.

Furthermore, the controversial Section 301 provision of US trade law, which allows Washington to retaliate against other countries' trade practices when they fall outside Gatt obligations, is fully consistent with the WTO. The study warns, however, that once the WTO is set up, its members must act swiftly to guard against the risk of backsliding into protectionism.

The Uruguay Round: An Assessment; Jeffrey Schott and Johanna Buurman; Institute for International Economics, 11 Dupont Circle N.W., Washington DC 20036. Tel: (202) 328 9000.

Average tariff cuts achieved in the Uruguay Round for industrial goods

Country or group	Trade weighted average tariff (%) Pre-Uruguay Round	Post-Uruguay Round	Average tariff cut (%)
Developed countries	6.3	3.9	38
Canada	9.0	4.8	47
European Union	5.7	3.6	37
Japan	3.9	1.7	56
United States	4.6	3.0	34
Developing countries	15.3	12.3	20
Economies in transition	8.6	6.0	30

NEWS: THE AMERICAS

Washington expects bonanza with auction of airwaves

By George Graham in Washington

The US Federal Communications Commission has received applications from 74 companies, consortia and individuals to bid next month in its auction of broadband wireless telecommunications frequencies, which it expects to be the largest ever auction of public sector assets.

The licences are to run the personal communications services expected to compete with today's cellular telephone technology.

Applicants, who need not necessarily bid and must still make an up-front payment by November 18 if they want to take part in the auction, include all the regional Bell telephone companies, long distance telephone companies such as AT&T and Sprint, and cable television groups such as Cox, TCI and Comcast.

But other companies such as EDS, the computer services subsidiary of General Motors, and Excelsior Parking have also applied to take part in the auction. EDS submitted applications mostly in small and medium-sized markets, avoiding large metropolitan areas.

So has Mr Craig McCaw, the founder of McCaw Communications, the leading cellular telephone company which he sold to AT&T. In general, Mr McCaw chose to bid, through his company ALAACR Communications, for markets in which he knew he would not be competing with AT&T, but both are listed as applying for the Buffalo market.

Some 23 bidders submitted incomplete applications and have a week to amend their filings.

The FCC conducted its first auction of spectrum frequencies in July, raising $617m in bids for narrow band frequencies for advanced paging services – although several of the largest bidders later defaulted.

Another auction for regional advanced paging licences is now in its 25th round of bidding, with high bids totalling $394m.

The broadband auction, due to start on December 5, is expected to be much bigger than these and could take more than a month to complete. The FCC's innovative auction rules allow applicants to bid by computer on all the available licences at the same time, so they can change their bidding strategy to target a different region if they see their first choice as too expensive.

The 51 regional markets attracted an average of 26.5 applicants each, with 20 companies submitting applications for Los Angeles and 22 for New York. Applicants for the large New York market will have to pay an upfront fee of $15.8m by November 18, while the 34 bidders for the tiny American Samoa market will have to pay only $28,200. A company bidding for nationwide licences would have to pay $150m upfront.

In the past, the US has granted frequencies either on the basis of public hearings or by lottery. The auction is expected not only to raise money for the government, but to bring down prices for the consumer by awarding competing licences in each area.

AMERICAN NEWS DIGEST

Russia cuts off Cuba's oil supplies

Russia has suspended shipments of oil to Cuba because the Caribbean state has not met its promised level of sugar exports to Russia, Mr Oleg Davydov, the Russian trade minister, said yesterday. The cut in supplies to a country which once enjoyed the closest links with the former Soviet Union is expected to further damage the recession-hit Cuban economy. The decision is in line with Russia's attitude to other countries which once enjoyed oil imports for barter, or at prices far below the world market level – including former Soviet states which are now independent countries.

Mr Davydov said Russia had exported 1.5m tonnes of oil to Cuba, but had received only 500,000 tonnes of sugar – 550,000 tonnes short of the amount agreed. He said Russia would sell the remaining 1m tonnes of oil it had agreed to ship to Cuba on the world market, "adding around $120m to the national budget". "If after our own sugar harvest the need arises to import more sugar cane, then we are prepared to open negotiations again with Cuba on this issue in 1995," Mr Davydov said. He added, however, that the barter of sugar for oil was unprofitable.

An official of the Cuban sugar organisation, Cubazucar, said the deal, agreed last December, was still active – although only partly fulfilled. "It doesn't mean the accord has stopped." However, Cuba would not be able to deliver sugar until December or January, after this year's harvest. Cuba has suffered two consecutive poor harvests – 4.2m tonnes in 1992-93 and around 4m tonnes in 1993-94. The official said he hoped Cuba could match the 4m tonnes figure in the coming harvest, but external forecasts suggest output as low as 3.5m tonnes, the lowest for more than 40 years. *John Lloyd, Moscow and Pascal Fletcher, Havana.*

Latin American outlook better

Latin America's economic outlook appears slightly more favourable than in recent years, according to a report published today by the InterAmerican Development Bank. A promising world outlook, private investment inflows, likely higher prices for raw material exports and the expected ratification of the Uruguay Round world trade agreement all added to the optimism. Growth for the region this year was expected to be similar to 3.5 per cent in 1993, the third consecutive year of per capita growth.

The report, Economic and Social Progress in Latin America, said regional economic integration was "creating favourable opportunities for Latin American trade and investment". Last year it noted capital inflows exceeded outflows by $69bn. About 76 per cent of inflows into the region's non-monetary sector – about $47bn – were in the form of direct investment and portfolio investment. *Stephen Fidler, London*

US schools grow more violent

American schools are becoming more violent, not only in big cities but in smaller towns and surburbs, according to a 700-city survey to be published today by the National League of Cities. Only 11 per cent of the communities surveyed said violence was not a problem. The survey listed 44 per cent of suburban cities and towns, nearly two-thirds with populations under 50,000. One out of four reported incidents involving serious injuries or deaths in the past year and 40 per cent said gangs were a significant problem.

Among other findings, 70 per cent said police were being assigned to patrol schools and 19 per cent said metal detectors were used to find weapons. Over the past five years, 38 per cent of the cities said the problem has risen noticeably, and 90 per cent of the cities send police to school athletic events. The study quoted Atlanta councilwoman Ms Carolyn Long as saying "school is getting rougher in a dangerous way. The academic challenges are being made more difficult by the disturbing presence and growing fear of crime and violence in our schools." *Reuter, Washington*

Caymans plea on refugees

The administration of the Cayman Islands is again seeking US assistance in ridding the British colony in the north-western Caribbean of 1,200 Cuban refugees, most of whom have arrived in the islands since August. A delegation from the Cayman Islands has gone to Washington to ask the US government either to give the refugees visas to enter the US, or to transport them to refugee centres in Panama or at Guantánamo Bay, the US naval base in southern Cuba.

The Caymanian administration says it has exhausted this year's budget for taking care of the refugees, most of whom are living in tents. It had earlier said it would repatriate the Cubans, but few among the 1,174 refugees appear either willing to go home or to be transferred to Panama or to Guantánamo Bay. The US government had earlier rejected Caymanian requests to take the refugees out of the colony, but this week's visit to Washington follows what Caymanian officials said was a recent "promising" reaction from Washington. The colony, which has a population of 30,000, is an offshore financial services centre and a holiday resort. *Canute James, Kingston.*

Peruvian guerrillas surrender

Hundreds of peasants who say they were forced into the service of Peru's leftist rebels sought last-minute pardons before the deadline for accepting a government amnesty expired, government officials said yesterday. Elsewhere scores of repentant Maoist Shining Path guerrillas turned themselves in before the deadline expired at midnight on Monday. *Reuter, Lima*

US President Bill Clinton campaigning in Philadelphia on behalf of Senator Harris Wofford (centre) Reuter

From roguery and villainy to an ideological battleground

Jurek Martin on two Maryland races, one on unfamiliar ground

US MID-TERM ELECTIONS November 8

Maryland has two important state-wide elections this year. While the one featuring two nationally known names – for the US Senate – has been something of a damp squib, that for governor, between candidates whose recent careers have been spent in the relative obscurity of local government, has turned into an ideological fireworks display.

The second race pits Mr Parris Glendening, 52-year-old chief executive of Prince George's County in the Washington suburbs, against Mrs Ellen Sauerbrey, 57, once a biology teacher and for most of the last 20 years a Republican state legislator. He is a conventional progressive Democrat, she is the new pin-up candidate of the Republican right.

The contrast with the Senate race could hardly be more marked. In the Democratic corner stands Senator Paul Sarbanes, seeking a fourth term, and in the Republican Mr Bill Brock, once a senator from Tennessee and previously US trade representative and chairman of the national Republican party.

Both are running as the souls of relative moderation, in Mr Brock's case to the point of half-renouncing a staunchly conservative political past.

Maryland's political history may be littered with rogues and villains – two former governors, Mr Marvin Mandel, a Democrat, and Mr Spiro Agnew, the Republican who became vice president, both faced criminal charges – but it has never been known as a battleground for political ideology.

Its first settlers from Britain in the 1630s were Roman Catholics sent by Lord Baltimore to escape Puritan repression and it was the first colony to establish in law the principle of religious tolerance. Today, the mayor of Baltimore, Mr Kurt Schmoke, is black, the outgoing Democratic governor, Mr Donald Schaefer, endorsed President George Bush in 1992, and the state has tough laws against guns and protecting the right to abortion.

Its suburbs form part of the Washington metropolitan area and Annapolis, its picturesque capital and home of the US Naval Academy, perches on the Chesapeake Bay, but its heart and soul remains the revived industrial port city of Baltimore. Its economy is diverse and, some pockets of inner-city and rural poverty excepted, prosperous.

Mrs Sauerbrey is in many respects an unlikely candidate for Maryland. She was not even expected to be on the ballot next week, but in the September Republican primary upset Congresswoman Helen Delich Bentley, no mean conservative herself, for the right to oppose Mr Glendening, who enjoyed a much easier passage.

She did so primarily on the back of her proposal to cut state income taxes by 24 per cent over the next four years and to freeze spending on virtually everything. As the campaign unfolded she also promised to roll back environmental regulations and to divert tax revenues to private schools.

With the apparently successful tax-cutting example of Governor Christie Whitman of New Jersey fresh in the national mind, she became the instant darling of the conservative movement.

This being 1994, the year of the uncivil elections, Mrs Sauerbrey and Mr Glendening, who has Mrs Kathleen Kennedy Townsend, eldest daughter of Robert F Kennedy, as a running mate, were soon mincing no words, in commercials and in debates. She slammed him as as yet another "tax and spend" Democrat, while he hammered her as outside the Maryland mainstream.

The polling evidence is that Mrs Sauerbrey's assault is not working. A Washington Post poll two weeks ago gave Mr Glendening a 53-37 per cent lead, with 10 per cent undecided. Another Post survey published yesterday found him ahead by nearly nine-to-one among black voters, nearly 25 per cent of the electorate.

This is far in excess of the usual Democratic margin and was attributed to his successful 12-year management of Prince George's County, the most racially diverse in the state. Mrs Sauerbrey held a 46-44 lead among whites but had not shown signs of breaking out of her base in the Baltimore suburbs and in conservative rural areas.

On the Senate side, Mr Sarbanes held a 57-32 point edge over Mr Brock in a Baltimore Sun poll two weeks ago and is generally reckoned comfortably ahead. A Sarbanes campaign is normally low-keyed but in common with the times he has accused his opponent of being a carpetbagger, of a poor attendance record while in the Senate and of taking on Japanese companies as clients as soon as he finished his stint as trade representative in the Reagan administration.

Mr Brock, who ran a legendarily dirty campaign in Tennessee to oust Senator Albert Gore, father of the vice president, in 1970, has seemed passive in response, excepting conventional attacks on the Sarbanes record as a big spender. His hopes of being the first senator to represent two different states this century hang by a thread.

Salinas rejects notion of one complex plot

By Damian Fraser and Leslie Crawford in Mexico City

President Carlos Salinas of Mexico delivered his final state-of-the union address yesterday, offering a robust defence of his six years in office one month before he hands over to his successor, Mr Ernesto Zedillo.

Mr Salinas sought to answer critics that his government had put economic reform before political change, arguing that "democracy cannot flourish. . . when financial disorder, deficits and inflation are exacerbated." He asserted that "experience shows that abrupt political changes promoted from above without the consensus of parties and the support of society merely lead to a break with the old without consolidating the new."

Nevertheless, Mr Salinas said significant democratic progress had been made during his administration, and "pluralism is now the norm in our public affairs." The high turnout and generally trouble-free August presidential elections "mark our passage towards a better democracy."

The outgoing president sought to explain the shocks Mexico has suffered this year – namely the peasant revolt in the southern state of Chiapas, the assassinations of presidential candidate Luis Donaldo Colosio, and Mr José Francisco Ruiz Massieu, secretary-general of the ruling party – as a reaction against his administration's economic and social reforms.

"I do not resort to the facile solution of an overriding plot as a general explanation for these acts of violence. . . These grave events reflect the action of isolated individuals or groups, but they may also be spurred by a feeling of rejection for changes that have been made."

The president announced that foreign currency reserves were $17.24bn at the end of October, a fraction more than the level two weeks ago. He said the economy would grow by almost 3 per cent this year, implying growth of about 4 per cent in the second half of the year. He said that for the third year in a row there would be no fiscal deficit.

Mr Salinas accepted some responsibility for the uprising in Chiapas, referring to "excessive caution" in not taking preventative security measures and failings of local government. He reiterated his call for a peaceful solution.

In a tacit admission of the problems his administration had not tackled, Mr Salinas said Mexico still faced "a major challenge of justice. Our economy is healthier, but must still provide many new jobs. . . our freedoms are greater. . . but many constraints and inequities remain which must be corrected before we can become the democratic, modern nation we aspire to be."

Canada tightens immigrant curbs

By Bernard Simon in Toronto

Canada plans to dilute its traditional hospitality towards immigrants under a new long-term policy unveiled yesterday.

Besides cutting the 1995 immigration quota by about 12 per cent, Mr Sergio Marchi, immigration minister, announced tighter curbs on family members seeking to join relatives already in Canada.

The government will in future place a greater emphasis on attracting entrepreneurs and other independent immigrants with skills or wealth to contribute to the economy.

The refugee quota will rise by as much as three-quarters to 24,000-32,000 a year.

Studies indicate that new settlers in the family reunification category, especially parents and grandparents, place a relatively heavy burden on health and social services.

Mr Marchi said the authorities may require bonds to be posted by immigrants sponsoring their families.

The immigration clampdown coincides with pressure on the government to review Canada's multi-culturalism policy, under which ethnic communities are encouraged – often with support from public funds – to retain their distinct identity.

Patrick McCurry in São Paulo explains why Brazil's decision to send in troops may not work

Troops pack an uncertain punch in Rio

The decision to send in the military to control Rio de Janeiro's largely discredited police forces follows mounting media pressure for action against violence in the city. But there is little expectation that the move will do much to solve the city's problems of violence, corruption and drug trafficking.

Rio state Governor, Mr Nilo Batista, agreed on Monday to allow the military to direct the united operations of the state-controlled military and civil police forces in city. There had been speculation if he refused President Itamar Franco would seek a "state of defence" decree, allowing federal troops to be sent to the city.

The move brings unwelcome reminders of Brazil's two decades of military rule, which ended in the mid-1980s, although most observers believe that military leaders have not sought a role in combating heavily armed drug traffickers in the city's warren-like hillside shanty towns.

It is hard to know if violence is on the rise because of the lack of reliable statistics, but media pressure for action has increased following a number of violent incidents in the last two weeks.

These include a revenge attack by 120 police that left 13 shanty town residents dead, the death of a 15-year-old girl from stray police bullets and the killing of a multinational executive by car thieves.

Another incident that has put pressure on the government is the widespread fraud uncovered during congressional elections in Rio de Janeiro on October 3.

Drug traffickers and illegal gambling racketeers – widely believed to have a large portion of the state-controlled police in their pay – are thought to be involved.

According to Mr Paulo Calmon, a political scientist, action is being taken now because the presidential election, held on October 3, is out of the way.

"There seems to be a consensus that now is the time for action, so that there is no major crisis awaiting [president elect] Fernando Henrique Cardoso when he takes office next January." Mr Cardoso has said he supports sending in troops "if necessary" and that Rio is suffering "an undeclared civil war."

Some analysts believe Mr Cardoso's candidate for the second-ballot election of the state governorship, to be held on November 15, has been benefiting from the controversy. "The government could easily wait until after the second ballot. There is no civil war," says Mr Emir Sader, a Rio-based academic specialising in research into violence.

He accepts, nevertheless, that there has been a deterioration in the situation in recent months.

It not clear whether troops will be sent into the shanty towns, although they would probably be welcomed by many residents there as protectors. There is always the risk they would be corrupted in the same way as their police colleagues if they stayed for a prolonged period.

The problems of crime and violence are widely viewed as the result of Rio de Janeiro's economic decline starting with its replacement in 1960 as capital by the city of Brasília. The decision of former governor Leonel Brizola to restrict police activity in the shanty towns in the 1980s – after complaints from residents about police behaviour – allowed drug dealers to grow into a parallel authority.

"Nothing has been done in the last 15 years to tackle Rio's social and economic problems and now they are trying to correct the situation in a few weeks," says Mr Sader.

NEWS: INTERNATIONAL

INTERNATIONAL NEWS DIGEST

JAL to start Vietnam flights

Japan Airlines (JAL) will start regular flights to Vietnam later this month with the launch of services to the country's business capital, Ho Chi Minh City. The Japanese Transport Ministry said yesterday it intended to grant approval this week to the company's plan to operate twice-weekly round-trip flights from Kansai International Airport near Osaka from November 16. In the last year, leading European and Asian airlines, including Lufthansa, Air France and Cathay Pacific, have begun regular services to Vietnam as the country's economy has expanded rapidly in the wake of an accelerating economic reform programme and the lifting of US sanctions. Japanese corporations have been among the most active in pursuing opportunities in the growing Vietnamese market and JAL expects to carry more than 19,000 passengers a year. The airline will use DC-10 aircraft with 216 seats on the new route. *Gerard Baker, Tokyo*

Cambodian killings condemned

Britain yesterday condemned the killing of three western hostages, executed by their Khmer Rouge captors, as a barbaric outrage and said it would press Cambodia to bring those responsible to justice. The British Embassy issued a toughly worded travel advisory requesting that their nationals avoid Cambodia after Mr Hun Sen, Cambodia's second prime minister, confirmed that the hostages' remains had been exhumed near Vine Mountain, about 150km south of Phnom Penh.

Briton Mark Slater, 28, Jean-Michel Braquet, 27, from France and David Wilson, 29, an Australian, were taken hostage by the Khmer Rouge on July 26 after a train ambush in southern Kampot province in which 13 people were killed. Along with three ethnic Vietnamese and an unknown number of Cambodians, the three foreigners were marched at gunpoint to a Khmer Rouge base near Vine Mountain. *Reuter, Phnom Penh*

India PC industry growth soars

India's personal computer (PC) industry grew at an average of 50 per cent in the first half of the current 1994-95 financial year over the same period of 1993-94, a senior industry official said yesterday. The growth rate ranged between 30 and 70 per cent in various sections, Mr K R Palta, president of the Manufacturers' Association of Information Technology, told a seminar on the industry.

India's PC industry had a turnover of Rs43bn (£844m) in 1993-94, Mr Palta said. "If we sustain this (50 per cent) growth rate, doubling this figure would not be difficult." The industry was chasing an annual sales target of 1m PCs, he said. "It has to hit the target to survive." Mr Richard Watts, a senior executive of Hewelett-Packard, said. Indian PC-makers must try to tap opportunities emerging from the linkage of digital computing with communication and consumer electronics. *Reuter, New Delhi*

British tourists are set free

Three British tourists – Paul Ridout (left), Christopher Croston and Rhys Partridge – held hostage by Kashmiri militants were freed by Indian police yesterday, less than 24 hours after the authorities discovered they had been kidnapped. Two policemen and one kidnapper were killed in a 20-minute pre-dawn shootout after Uttar Pradesh state police stormed a militant hideout in Saharanpur, near New Delhi, to rescue the Britons. Police believe three more militants were involved in the kidnapping and have launched a massive hunt to trace them. The three were handed over to the British High Commission yesterday. Al Hadeed, a hitherto unknown militant group, had left a note at the BBC office in New Delhi on Monday afternoon, demanding the release of eight Kashmiri militants or threatening to kill the three British hostages.

Police said they were able to locate the Britons so swiftly because of a tip-off from Mr Bela Joseph Nuss, an American tourist whom they rescued by coincidence in Ghaziabad on the outskirts of Delhi on Monday. *Shiraz Sidhva, New Delhi*

US jets bomb Kuwait desert

B-1 and B-52 bombers flying non-stop from bases in the US bombed the Kuwaiti desert yesterday to remind Iraq of the global reach of US military power following a flare-up on the Gulf War border. Two B-1s and two B-52s dropped 110 bombs on the desert floor 13 hours after takeoff from bases at Elsworth, South Dakota and Minot, North Dakota. The B-1 Lancers and B-52 Stratofortresses were part of exercises by 100 British and US warplanes staged over Kuwait and also in part over a western-imposed no-fly zone in southern Iraq. *Reuter, Kuwait*

Fair trade sought in tea

The Fairtrade Foundation, an organisation supported by leading development agencies and consumer groups, yesterday launched a fair trade label for tea. The foundation said its label would ensure better conditions and social benefits for workers on tea estates in developing countries. "The arrival of these teas marks a watershed," said Mr Phil Wells, the foundation's standards manager. "It is the first time that independent inspection of tea estates, on behalf of consumers, has been allowed to take place."

The first teas come from two estates in Sri Lanka and the Nilgiri mountains of southern India. They are produced by Clipper Teas and will be sold by Sainsbury, the biggest UK supermarket group, as well as smaller food shops. Mr Wells said the foundation hoped initially to capture about 3 per cent of the British market – which consumes 70bn cups of tea a year. *Alison Maitland, London*

N Korea 'halts N-plant work'

North Korea said yesterday it had halted construction of two controversial graphite-moderated reactors following a landmark pact with the US in which Pyongyang agreed to freeze and dismantle its nuclear energy programme. The agreement was signed in Geneva last month. "We have already begun taking practical steps to put it (the pact) into effect," a North Korean Foreign Ministry spokesman was quoted as saying by Korean Central News Agency monitored in Tokyo. Under the October 21 accord the US said it would assemble an international consortium to finance the $4bn (£2.5bn) construction of either one 2,000MW or two 1,000MW light-water reactors that do not produce weapons-grade plutonium. *Reuter, Tokyo*

Angolan oil town captured

Angolan government forces have recaptured an important oil town from Unita rebels in heavy fighting, state media reported yesterday less than 24 hours after the two sides initialled a peace accord. Government troops had also been advancing on the Unita stronghold of Huambo, a government official said. Under the accord reached in the Zambian capital, Lusaka, the government and Unita are to declare a ceasefire on November 17. *Reuter, Luanda*

Hong Kong stamps on Japan's postal pride

By Emiko Terazono in Tokyo

An increasing number of Japanese subscribers of mail order catalogues from companies in Japan are finding their brochures mailed from Hong Kong. The detour, prompted by Japan's expensive postal rates, means companies save 20 to 30 per cent on postage costs by sending bulk mail to other countries where the items are remailed back to Japan.

Such schemes have hit the country's Posts and Telecommunications Ministry, which has a monopoly on postal delivery. It has suffered losses of Y100bn (£630m) from its postal operations in the past three years, with the figure set to grow following a 24 per cent postal rate rise earlier this year.

The remailing business has ballooned, and mail sent from Hong Kong to Japan currently equals five times that sent from Japan to Hong Kong. Mailing a postcard within Japan costs Y50 (31 pence), while it costs only Y27 (17 pence) to send a postcard from Hong Kong to Japan. Other countries with low postage rates, including Singapore, Denmark and the Netherlands, have also become favourite remailing centres.

"Remailing is fairly widespread with heavy mailers including Japanese companies," says Mr Marc Fuoti, an official at Japan Marketing Data Systems, a marketing research company. Domestic and foreign newspapers, magazines and direct mailing companies are among the many which use remailing. The posts ministry estimates that more than 1m items were remailed in the year to March.

The posts ministry has tried to clamp down on remailed letters by refusing to deliver them, charging sender companies domestic postage rates, or by returning the letters to the sending post office. In the latest year ministry officials charged domestic postage rates on more than 180,000 cards and letters which had been remailed.

In another attempt to counter remailing, the Universal Postal Union, an international regulatory body of postal trade, stipulated in September that when a country judges a letter or card to have been remailed, it can claim delivery costs from the postal administration of the country where the mail was posted. But this week, taking a different tack, Mr Toyotaro Kato, chief of the postal bureau, said the ministry planned to increase the discount rate for bulk mail. Next spring it will ease restrictions which limit the discount on postage to 30 per cent, he said. The postal bureau also plans to reduce costs by cutting personnel and capital spending and hopes to eliminate losses by the end of 1996.

Ralph Willis: a willingness by business to invest

September current account shortfall of A$1.8bn exceeds forecast

Australian trade deficit worsens

By Nikki Tait in Sydney

Australia clocked up a A$1.809bn (£830m) current account deficit in September, the second successive month in which it has produced worse-than-expected trade data, although the latest figure did represent some improvement on the A$2.11bn August deficit which so badly unnerved financial markets.

The latest deficit, calculated on a seasonally adjusted basis, compared with market forecasts of around A$1.7bn. It means that, over the first quarter of the current 1994-95 financial year, Australia's current account deficit has reached A$6.96bn, an increase of 35 per cent over the previous year.

As analysts at Bankers Trust pointed out yesterday, extrapolating this growth for the entire financial year would give a deficit of A$23.2bn. In its May budget, the government of Prime Minister Paul Keating estimated a current account deficit for 1994-95 of A$18bn, or 4 per cent of gross domestic product.

On the export front, the unadjusted figure was unchanged from August at A$5.29bn, with falls in gold exports and mineral fuels being offset by higher sales of metal ores and minerals and wool. Imports eased back from the abnormally high figure of A$6.69bn in August, to A$6.06bn.

The Australian bond and share markets weakened on the balance of payments news – in spite of the distraction of yesterday's Melbourne Cup horse race – with sentiment also discouraged by stronger-than-expected building approvals figures.

Pessimists believe that if Australia fails to improve its trade balance soon, it could be headed for further interest rate rises and a repeat of the "boom and bust" episodes which have plagued it in the past.

Yesterday, however, Mr Ralph Willis, treasurer, said that growth in imports during the first quarter overall reflected the economy's move out of recession, and the increasingly willingness by business to invest.

"While imports fell in September, strong import growth in the September quarter is consistent with ongoing strength in domestic economic activity," he commented.

NEWS: INTERNATIONAL

Islamists spurn poll offer as Algerian impasse deepens

By Francis Ghilès

The pledge by Algerian President Liamine Zeroual to hold presidential elections before the end of next year was yesterday dismissed as meaningless by Islamic fundamentalists who pledged that their battle to overthrow the regime would continue.

General Zeroual's statement on Monday night came amid worsening violence and just 48 hours after he had publicly acknowledged that the attempts to conduct a dialogue with the principal opposition group, the outlawed Islamic Salvation Front (FIS), had come to nothing.

The admission that the talks had failed was made only six weeks after Mr Abassi Madani and Mr Ali Benhadj, the two paramount FIS leaders, were freed from prison and put under house arrest in an attempt to improve the atmosphere for negotiations. However, it seems that protagonists on both sides had done all in their power to sabotage any hint of progress.

General Mohammed Lamari, described locally as a hardline "eradicator", was last weekend promoted to the rank of *général de corps d'armée*. Gen Lamari had warned in the latest issue of the army's monthly magazine that the fight against the "obscurantist and retrograde forces, traitors to their nation and Islam" would continue "to the very end, whatever the price and sacrifices that would have to be paid".

Gen Zeroual meanwhile said that the FIS's Mr Madani had refused to endorse a call to end all violence. He also claimed that Mr Benhadj had sent two letters to his supporters since he was put under house arrest, urging them to "intensify their terrorist acts". In response Mr Rabah Khabir, spokesman of the FIS abroad, denounced the "threats and appeals to terror" made by the "criminal General Lamari" and advised the head of state to resign.

The stage thus appears to be set for a further twist to the spiral of violence which, according to western and Algerian observers has, since the elections the now banned FIS was expected to win in January 1992, cost an estimated 30,000 lives.

Underscoring the violence, bombs exploded in two of the nation's cemeteries yesterday which on November 1 attract thousands of Algerians who go to honour those who died in the eight-year-long struggle against the French army. One blast killed five children and wounded 17 people in the western town of Mostaganem, the official news agency APS said.

In a report last week, the human rights organisation Amnesty International accused the Algerian security forces and armed Islamic groups of behaving with "total disregard of international and humanitarian law."

Torture, which had been virtually eradicated between 1989 and 1991, "has become widespread in police, and gendarmerie stations and military and security centres," said the report. Trials had been unfair at every stage of the proceedings and violated the most fundamental requirements of international law.

Many observers have doubted all along that a clear line could be drawn at this stage of the confrontation between "moderates" and "radicals". Even while agreeing on the principle of free elections, FIS leaders have always insisted that Islamic law must prevail, something which most Algerians would probably find unacceptable.

Algeria increasingly presents to the outside world the tragic face it did in the late 1950s – one of blood, torture and anarchy, which no rational force within the country seems capable of ending.

Neighbouring Morocco and Tunisia are watching the mounting violence with ill-concealed anxiety as are Spain, Italy and France. However, whatever their political persuasion, those outside Algeria appear to have no better idea than Algerians themselves for a solution to the turmoil.

Israel reopens to workers

By Eric Silver in Jerusalem

Israel yesterday distributed the first batch of 8,000 entry permits for Palestinian building labourers from the Gaza Strip and the West Bank. The labourers will cross the old green-line border into Israel today for the first time since the Hamas suicide bombing which killed 22 bus passengers and wounded 47 in Tel Aviv two weeks ago.

The number of permits will be gradually increased. The first group are married men aged 40 or over. Before the closure about 65,000 workers travelled daily to jobs in Israeli construction, farming and services.

The reopening eases fears that keeping the workers from their livelihood fuelled support for the Islamic fundamentalists. In Gaza alone, unemployment was running at up to 60 per cent even before the closure. The Palestinian Workers Union estimated that the closure cost West Bank workers \$4m (£2.5m) a day.

At the Erez terminal between Gaza and Israel, the Israelis are investing \$30m in sophisticated computer equipment to combat a racket in forged permits. Once it is installed, every Palestinian worker will be checked on screen against his or her photograph and personal data.

Ministers admitted that none of the recent attacks inside Israel was committed by permit holders. Mr Yossi Beilin, deputy foreign minister, said yesterday the closure had been necessary to restore calm.

Yossi Beilin: closure necessary

The Palestinian flag was raised yesterday alongside the Israeli flag at two border crossings from Egypt and Jordan. From now on entry through Rafah and the Allenby Bridge will be controlled jointly by Israeli and Palestinian police.

In a complex arrangement agreed in Cairo six months ago, Israel retains overall responsibility for security at the crossings. Residents of the Gaza and Jericho enclaves, now ruled by Mr Yassir Arafat's Palestinian National Authority, will be checked only by Palestinians. Residents of the still-occupied West Bank will pass through Palestinian and Israeli counters. Israeli citizens will be checked only by Israelis.

Tricky task to lay Mideast bank's foundations

By Mark Nicholson in Casablanca

Many Arab and Israeli political and business leaders were hailing the prospective Middle East and North African Development Bank as the most "concrete" achievement of the Casablanca regional economic summit which closed yesterday. But if so, not only is the concrete neither set nor moulded, there will be much tricky negotiating before even the mix is agreed upon.

This, according to yesterday's "Casablanca declaration", will be the task of a "group of experts", so far unchosen, who will "examine different options for funding mechanisms including the creation of a Middle East and North Africa Development Bank". The experts are expected to meet in Washington before the year's end and make an initial report in six months.

It will not be easy. Although the bank has general political support from the US, the EU, Egypt, Jordan, Israel and the Palestinians, speakers over the past three days in Casablanca have canvassed a wide and sometimes contradictory variety of possible structures, uses, lending criteria and locations for the institution. Its creation is seen by many as addressing political rather than economic needs, and some question the need for it – institutions such as the Kuwait-based Arab Fund for Economic and Social Development and the Islamic Development Bank already exist.

Mr Omar Mohanna, head of corporate finance at the Cairo-based Misr Iran Development Bank, said flatly: "It would take a lot of time and then be a white elephant." He said a more practical option would be that suggested yesterday by Mr Mahmoud Abdel Aziz, chairman of National Bank of Egypt, for a wholly private-sector regional bank, capitalised at \$500m (£316.4m) with joint and equal Arab and Israeli participation.

But to its proponents, such as Mr Michel Marto, deputy governor of Jordan's central bank, there is a clear need for a government-backed institution. "Every area of the world has a development bank, but we have been deprived of one for so long. For major projects there is no institution which can do what a development bank will. And there will be others, not in themselves economically viable, but which must be financed for their external economic effects."

The bank is likely to be capitalised at \$10bn, with 60 per cent held by Organisation for Economic Co-operation and Development countries. There appears agreement that it should concentrate on financing big regional infrastructural projects. But even among its political backers, almost every other aspect of the bank is likely to attract considerable debate.

Egypt, for instance, is uneasy about attempts to create regional institutions of any kind while critical regional players such as Lebanon and Syria, which have not reached peace with Israel, remain outside what has now become the Casablanca process.

Within the Israeli government there are differences, with Mr Jacob Frankel, the central bank governor, arguing strongly that potential shareholders in the bank should concentrate on making direct, immediate investments in the region, rather than engaging in "academic debate" over its structure.

The Palestinians are also uneasy. They say the bank's apparent role in financing big development projects would be inappropriate to their present small economic enclaves in Gaza and the West Bank. "Will a bank like this really attend to our needs? From what we hear from the Americans this bank will not be offering any concessionary finance. But we would like to see some benefit from it," said Mr Nabil Shaath, Palestinian minister for economic planning.

Some Gulf states have been positive – Qatar yesterday pledged its support. Others, in particular Saudi Arabia, are reluctant to commit money to the bank. Britain is also understood to be suspicious of creating another regional bank given the unhappy experiences of organisations such as the European Bank for Reconstruction and Development, the Middle East Bank's most oft-quoted model, and the African Development Bank.

Joint venture group aims to be investment catalyst

By Julian Ozanne in Casablanca

How to get hard-headed businessmen to find and invest in profitable private sector projects in the Middle East has been one of the greatest challenges at the Casablanca Summit.

One small non-profit organisation is showing the way with big results. The US-backed Builders for Peace seeks to match American with Palestinian companies to invest in private businesses underwritten by the US government in Palestinian controlled areas.

Since it was established by US Vice President Al Gore last year the group, composed of American business leaders of Arab and Jewish origin, has facilitated the development of nine joint venture businesses worth more than \$100m (£63.2m) of capital investment. The projects, in hotel construction, housing, food processing, light manufacturing, crude oil processing and bottled water production, are expected to generate \$168m in annual operating revenues and create 5,000 jobs.

Eight more projects are in the design phase following a mission to five US cities by Palestinian businessmen sponsored by Builders for Peace.

Mr Mel Levine, a lawyer and former US congressman, said Builders for Peace recognises the importance of private enterprise as the basis of economic growth in the Gaza Strip and West Bank. The group wants to provide a "jump start" for the economy and help alleviate unemployment. "We are not interested in politics. We are interested in business opportunities which are designed to make a profit undertaken by people who are determined to take a risk," he said.

Builders for Peace works closely with two US agencies – the Overseas Private Investment Corporation and the Trade Development Agency. The US government has allocated \$125m over five years to Opic to grant political risk insurance, loan guarantees and small loans to US companies doing business in Palestinian self-rule areas. Five of the nine projects developed by Builders for Peace have received Opic assistance, giving what Mr Levine said was "significant and tangible risk reduction". The TDA helps joint ventures with the preparation and evaluation of feasibility studies.

One of the nine projects under way is the construction of Gaza's first fully serviced business hotel. The \$70m hotel is being build by GRdG, a US company, and will be managed by Marriott which may also take an equity share in the project.

Mr Riad Karam, a director of GRdG, said Builders for Peace had been critical to getting the project off the ground. "They gave us a big boost, helping with access to the US government and to Opic," he said. "This hotel is going to serve as a measuring stick for successful investment as major US companies start to get involved for the first time in the Palestinian economy."

Builders for Peace, backed by official risk insurance from Opic, provides a role model for wider private sector investment in the Middle East and answers a lot of questions raised by businessmen at Casablanca.

Many businessmen have voiced scepticism about the creation of new regional financial institutions such as a Middle East development bank. Instead the private sector has demanded financing mechanisms such as risk insurance, project finance, export credits and the development of better business links between western and Middle Eastern businessmen.

Editor faces investigation by angry MPs

By David Owen

Mr Peter Preston, editor of The Guardian, faces an investigation by MPs into the newspaper's use of a doctored House of Commons letterhead during its inquiries into the payment of a minister's hotel bill.

Miss Betty Boothroyd, the Speaker of the House, yesterday cleared the way for an *emergency debate today which* is expected to lead to a vote on whether the newspaper should be the subject of a privileges committee probe.

Her decision came after prime minister's questions, when former Tory ministers led a sustained assault on Mr Preston and the activities of investigative journalists.

Mr John Major, the prime minister, launched made a stinging attacked on the role of the press in the recent wave of so-called "sleaze" allegations against MPs which have led to two ministerial resignations. "If it is commonly accepted in journalism that the end justifies any means, then I believe journalism will regret stooping to that particular standard."

Meanwhile, Labour MPs on the powerful privileges committee of the House of Commons rejoined the body for a private session to try to break the procedural deadlock over its "cash-for-questions" *inquiry. The seven had boycot*ted the hearings over the government's insistence that they be held in private.

The committee broke up without resolving whether its inquiry would be conducted entirely in private.

Sir Paul Beresford, the housing minister who is the latest target of press allegations, strongly denied any wrongdoing over combining government duties with part-time work as a dentist.

Yesterday's developments at Westminster came as solicitors acting for Mr Mohamed Fayed, owner of Harrods, wrote to Mrs Barbara Mills, director of public prosecutions, to call for an urgent decision on whether he would face criminal charges for his alleged attempts to "blackmail" the government.

Mr Major told MPs last week that an unnamed intermediary had made allegations against several ministers and requested a meeting between the prime minister and Mr Fayed to discuss the DTI report into his takeover of House of Fraser, Harrods' parent company.

Today's debate is expected to be on a motion calling for The Guardian's actions to be investigated by the privileges committee.

Announcing the debate to MPs yesterday, Miss Boothroyd said the "essential" issue to be covered was: "The alleged action of The Guardian newspaper in representing that a letter sent by it to the Ritz hotel in Paris was sent in the name of a member of this house."

The newspaper has admitted using a doctored Commons letterhead to seek details of a minister's bill incurred at the hotel, which is owned by Mr Fayed.

Miss Boothroyd's decision followed an investigation by Sir Alan Urwick, Serjeant at Arms, ordered by her on Monday.

Mr Major said MPs had a right to expect the highest standards from the press just as it demanded the highest standards from parliament.

"Over many years The Guardian newspaper and the present editor has from time to time thundered against general standards in public life," he said. "That is the right of the press to do that. I simply invite them to observe their own standards themselves."

Bids take shape for fifth TV channel

Virgin, the leisure group, and a number of other media consortia are starting to prepare formal bids for the licence to run Channel 5, the planned commercial television channel, Alice Rawsthorn writes.

The Independent Television Commission, the body that regulates commercial television, yesterday advertised the 10-year licence for Channel 5. It is scheduled to come on stream by early 1997 and will reach up *to 70 per cent of* the UK.

Mr Robert Devereux, chairman of Virgin Communications, confirmed that his company was likely to mount a bid. as to whether to do so.

Virgin could face fierce competition from other bidders. Mr Ward Thomas, chairman of Yorkshire-Tyne Tees Television, confirmed that his company is to mount a bid.

Mr Thomas said he had already identified a number of prospective investors interested in forming a consortium, including several US concerns. "Our problem isn't attracting enough investment, it's deciding which investors to choose," he added.

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Hard battle to privatise the Post Office

Andrew Adonis on obstacles which may prevent Britain from emulating the Netherlands

The postal industry is one of the few in which mainland Europe has a privatisation lead on the UK. Whereas the Netherlands privatised its Post Office earlier this year, and Germany is committed to following suit, the UK government continues to dither about transferring the Royal Mail to the private sector.

Mr Michael Heseltine, trade and industry secretary, has still to convince his cabinet colleagues that he can carry Tory MPs in support of privatisation. If he fails, a year of preparatory work may have been in vain.

If the status quo continues it will be partly as a result of the fears raised by opponents of privatisation.

But it will also be a consequence of the government's failure to give serious consideration to the "middle way" option of granting the Post Office full commercial freedom in the public sector.

The government is looking at such an option, but has spent the past four months deriding it as impractical.

The government tried to meet many of the concerns raised by opponents of privatisation in its consultation paper published in July.

A Labour party leaflet delivered across north London at the weekend says that the government's plans "will lead to local post offices facing closure, an increase in the price of stamps and cuts in postal deliveries".

In fact, under government plans the Post Office's Counters division – which is responsible for high street and village post offices – will remain in the public sector. As for the price of stamps, the latest increase – 1p on first and second-class letters almost a year ago – followed a sharp increase in the Treasury's levy on the nationalised industry's profits.

Last year the Post Office had to pay the Treasury £182m. This year it will be £226m, a sum higher than the Post Office's post-tax profit for 1993-94 and nearly twice as much as a reasonable dividend payment if the industry were in the private sector.

The government is also proposing to establish a postal regulator to ensure that price increases are justified by costs. Oftel, the regulator of the privatised telecoms industry, is imposing sharp price cuts on British Telecommunications – whose charges are substantially less, in real terms, than they were at the time of privatisation a decade ago. BT used to be part of the Post Office.

The government could offer further assurances about prices and service levels after privatisation. But as one Conservative MP puts it: "Such adjustments don't really matter. The fears our opponents are deploying so successfully would not be reduced." He added: "The experience of water privatisation, which remains bitterly unpopular and probably should not have gone ahead, has not helped."

The government could still, however, call the Labour party's bluff and propose to give the Post Office full commercial freedom in the public sector.

Mr Bill Robinson, a former adviser to Mr Norman Lamont when chancellor of the exchequer, has set out such a course in a paper for the consultancy London Economics. He says that privatisation of the Post Office will not necessarily make it more efficient.

Having examined previous privatisations, London Economics concludes: "Privatisation itself is not a fundamental driver of efficiency improvement. Competition, effective regulation and a determination to restructure the business when necessary matter more."

The Treasury has until now been resolutely opposed to granting the Post Office full commercial freedom in the public sector – however categoric the statutory safeguards.

However, Mr Robinson cited the cases of New Zealand and Sweden, where state-owned postal services have been granted full commercial freedom and are flourishing.

Mr Michael Heseltine, trade and industry secretary, last night tabled a complicated new plan for partial privatisation of the Post Office, our Political Editor writes. His last-ditch attempt to rescue the government's privatisation would involve a 40 per cent sell-off of the Royal Mail division and the transfer of a further 20 per cent of the shares to an independent trust.

The remaining 40 per cent would be held in the public sector for a minimum of two parliaments and would include a "golden share", guaranteeing the government the final say in controversial strategic decisions. The independent trust would comprise representatives of employees at all levels of the Royal Mail and, crucially, would include members of the Federation of Sub-Postmasters, which represents the owners of rural post offices.

With ministers preparing for a critical meeting later today on whether to scrap the sell-off, Mr Heseltine told Conservative opponents of privatisation that the new scheme would guarantee the future of rural post offices.

Post Office milestones

- 1969: Post Office is changed from a government department to a public corporation
- 1976: Post Office moves into profit (and has been continuously so since then)
- 1981: Postal services and telecommunications functions are split into separate enterprises
- 1984: British Telecommunications is privatised
- 1990: National Girobank sold
- 1992: Government review of the Post Office set up
- 1994 July: Government consultatation paper recommends privatisation

Supermarkets push up prices

Minister defends changes for milk

By Alison Maitland

Mr William Waldegrave, the agriculture minister, yesterday defended deregulation of the milk market as more supermarket groups marked up the price of a pint by at least 2p (3c).

Mr Waldegrave said the move to a free market inevitably meant "winners and losers", but the new arrangements were already "releasing the creative energies of the industry." He added: "I believe that in a comparatively short time the change which has taken place will be seen in a more positive light."

The statutory Milk Marketing Board, sole buyer of milk from farmers for 61 years, was replaced yesterday by a powerful producers' co-operative, Milk Marque, which has won control of two-thirds of supplies in England and Wales.

Retailers yesterday blamed their higher prices on the increased cost of milk supplied by Milk Marque to dairy manufacturers. Sainsbury, the biggest supermarket group, joined Tesco in raising milk prices to 28p a pint, and said butter and cheese prices would also go up.

Safeway put its price up to 29p a pint, but will lower it to 28p today "to remain competitive". Asda, the superstore chain, said its four-pint cartons were rising by 9p, or 2.25p a pint, to 92p because the new system had increased prices by 10 per cent.

Mrs Gillian Shephard, former agriculture minister, said when she approved the new arrangements in June that consumers should not expect to pay more for milk.

The agriculture ministry now says the increased prices charged to dairy companies by Milk Marque should add no more than 0.5p to a pint. But Mr Waldegrave denied yesterday there had been a shift in the government's view of the benefits of deregulation.

"It's never comfortable in the short term as you move into a new era of competition," he said. "But I'm a firm believer that competition is the best way in the long term of benefiting consumer interests."

His comments failed to placate the newly named Dairy Industry Federation, which represents milk processors.

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Lottery adverts anger charities

By Diane Summers, Marketing Correspondent

Charity fundraisers yesterday lodged a complaint with the Advertising Standards Authority, the advertising watchdog, about advertisements promoting the National Lottery in last Sunday's newspapers. The advertisements, headlined "Every time you play the National Lottery, someone else gets a better chance", also said: "For every pound that you spend playing the National Lottery, at least a quarter will go to hundreds of worthy causes throughout the UK."

The Institute of Charity Fundraising Managers, the fundraisers' professional body, said it was concerned that the advertisements might encourage people to stop donating to charities and switch to buying lottery tickets. These go on sale later this month. Mr Stephen Lee, institute director, said charity fundraisers had long supported the lottery, but this support "has always been based on the principle that income from the National Lottery will be truly additional to existing levels of support to our sector".

Research commissioned by the National Council for Voluntary Organisations has estimated that the lottery could result in an annual loss of charitable income of between £190m and £270m, said Mr Lee.

He added: "We were led to believe that the lottery will be promoted primarily as a fun activity, not as a means of supporting charities and voluntary organisations." Nowhere in this initial advertisement can I see any reference to lottery games, the level of prizes, or the chance of winning a prize connected with the Lottery."

Lottery tickets are due to go on sale later this month.

هكذا من الأصل

NEWS: UK

Bank acquires home loans group for £56m

By Alison Smith

Abbey National, the banking group, has bought Household Mortgage Corporation, the UK's largest centralised mortgage lender, in an agreed cash offer of £56.3m ($89m).

The move gives Abbey a new method of distributing mortgages to set alongside the sales it makes through its branch network while its credit rating should give HMC access to funds more cheaply.

HMC has outstanding mortgages of about £1.6bn, which gives it at around 0.4 per cent of the total outstanding UK mortgage market.

This puts the deal on a par with the acquisition by Halifax Building Society, the UK's largest mortgage lender, of the UK residential mortgage business of Banque Nationale de Paris, which has outstanding mortgages of £1.5bn.

Like other centralised lenders, HMC has no branches, and business is passed to it through independent professional advisers such as lawyers and accountants. It has 28,000 customers and has developed some complex and sophisticated home loans.

It will continue to operate in this way as part of the Abbey National group, and will maintain a separate brand name as a continuing business.

This makes yesterday's agreement different from other recent deals in which mainstream mortgage lenders have bought loan books from lenders who entered the UK housing market in the 1980s and no longer see it as central to their business.

Abbey's purchase in February of the £900m mortgage book of Canadian Imperial Bank of Commerce is among the most conspicuous recent examples of that trend.

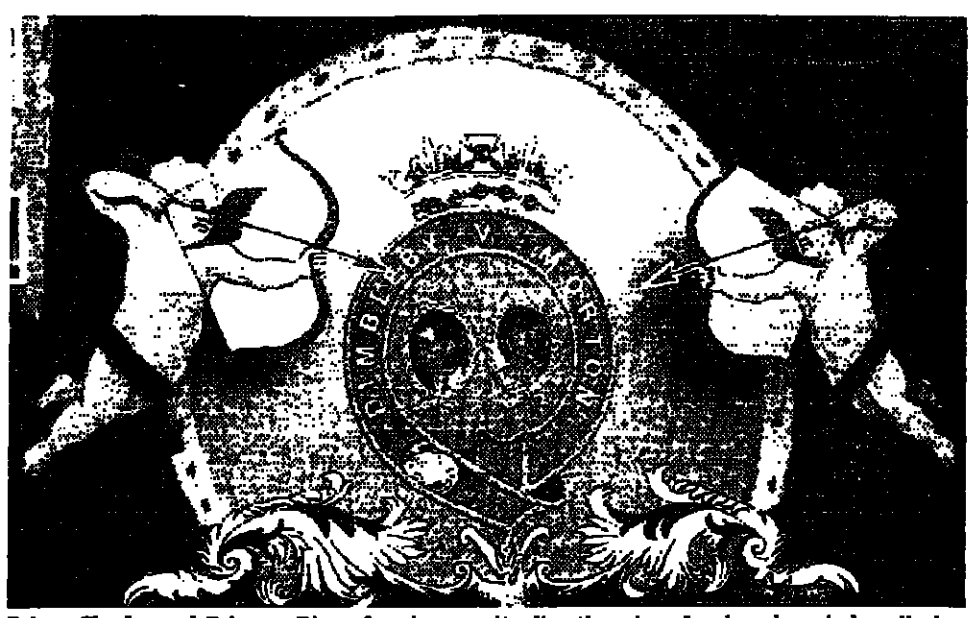
HMC announced in July that it was seeking a sale, and a number of mortgage lenders, including some large building societies, expressed an interest.

Mr Maxwell Packe, HMC managing director, insisted that Abbey's bid was "the best offer, taking all factors into account". All the shareholders had approved its acceptance, he said. HMC made profits of £4m in the four months to July, but like other centralised lenders has suffered in the UK housing recession. Last year it reported a profit of £700,000.

Holders of HMC's 3.1m former preference shares will receive 535p in cash for each share – more than the 398p price for each of the 10.8m ordinary shares, to reflect the value of preference dividends which were not paid.

● *Ministerial* decisions about changing the rules governing the way building societies operate are likely to be delayed beyond the original deadline for the far-reaching government review. That may mean the changes will not become law before the next general election to the House of Commons in 1996 or 1997.

The two-stage review of societies' powers and duties was launched in January.



Prince Charles and Princess Diana face in opposite directions in a London shopwindow display. Jonathan Dimbleby and Andrew Morton, whose names appear next to the royal couple, are authors of rival books about them. Dimbleby's "authorised biography" of Prince Charles, in which he admits adultery with the wife of a senior army officer, was published in the UK yesterday. "Her New Life", Morton's second book about Princess Diana will appear later this month

Ford to halt output from Escort factory for 12 days

By John Griffiths

Production at Ford's Escort car and van plant at Halewood in north-west England is being halted for 12 days this month to cut stocks, taking more than 9,500 vehicles out of production. There are 500 workers at the factory.

The cuts mean that, by the end of this month, Ford will have taken 20,000 Escorts out of production since short-time working began last month. Employees will be paid their basic wage on the "down days" but will lose bonus and overtime payments.

Ford blames a weaker-than-expected UK market for the cuts, although none of its main rivals is taking similar action. Halewood-built Escort cars are sold only in the UK, although some Escort van output is exported.

Ford's Dagenham plant in east London, which makes Fiesta cars and vans, will work normally this month after losing two days' production - representing 2,000 vehicles - in October. Dagenham has not been so badly hit because it exports about a third of its output to continental Europe, where demand is once again rising after one of the steepest vehicle market recessions on record.

The cuts at Halewood come even though the Escort was the UK's top-selling car in August followed by the Fiesta. Ford has a UK market share of about 22 per cent.

Stock levels will be reviewed again at the end of this month. Short-time working at Halewood is expected to last into next month.

Workers at Yarrow Shipbuilders in southern Scotland, an offshoot of GEC, the UK defence and electronics company, have voted for industrial action after rejecting a pay offer worth 2 per cent linked to the introduction of performance-related pay. All trade unions at Yarrow, the UK's largest warship yard, will meet tomorrow.

Big union faces strike by its own staff

By Robert Taylor, Labour Correspondent

Staff at the Transport and General Workers' Union, once the largest in the UK, will go on strike for a day tomorrow in pursuit of an 8 per cent pay claim. The union's executive has offered them a deal worth between 3 per cent and 3.5 per cent.

Further disruption leading to the closure of union offices is planned unless the union agrees to increase its offer to its 900 staff, who themselves belong to the union that employs them.

"We regret the fact that for the first time ever the T and G's staff will be taking strike action," said Mr Danny Bryan, the staff's negotiator. "It reflects the anger among staff that the union has not properly recognised the contribution made by them during the last few difficult years".

The union has gone through sweeping rationalisation with the closure of regional offices, a cut of 15 per cent in staff and the introduction of computerised technology. "There is a lack of security in the union; staff are frustrated and concerned", added Mr Bryan.

Mr Bill Morris, the union's general secretary (chief official), said yesterday that the pay offer to the staff was higher than the inflation rate and better than recent pay rises negotiated by the union for its members in industry. "Pay and conditions in the union are comparable and in many cases better than those found in similar organisations", he added.

The discontent is symptomatic of deeper internal troubles that are worrying Mr Morris and his executive. Membership has declined by more than half since the Conservative government came to power in 1979.

The potentially most serious problem stems from alleged charges of fraud and corruption being investigated by Mr Albert Blyghton, legal officer for the union's Merseyside divisional office in north-west England.

Mr Morris has been taking a tough stand over the matter, warning union officials that the union is involved in a "struggle for democracy and decency" which is "as serious as any external challenge" the union has faced over the past fifteen years.

Officials have been dismissed amidst allegations that about £500,000 ($790,000) of members' money has been diverted for political purposes on Merseyside over recent years.

UK NEWS DIGEST

Investigator into Heathrow tunnel will report soon

Preliminary findings of an inquiry into the collapse of a tunnel under construction at London's Heathrow airport are expected early next week, our Construction Correspondent writes. The result could have financial implications for other large transport projects using the New Austrian Tunnelling Method involved in the collapse at one of two stations being built for a new railway from central London to the airport.

Construction has also stopped at two stations on the Underground system in central London where the Austrian method was being used. Meanwhile the existing Underground station at the airport's Terminal 4 is likely to remain closed for 10 days for safety checks. The technique allows tunnels to be excavated by conventional diggers, rather than by expensive tunnel boring machines.

Two inquiries have been launched into the tunnel collapse. The first, led by Mr David Williams, BAA technical director, is due to announce its preliminary finding next week. A second inquiry by the government's Health and Safety Commission will also investigate "broader implications for the use" of the Austrian method.

The commission is expected to examine whether the technique, developed for rocky ground, is suitable for soft London clay where it is being used for the first time on a large scale. Questions were raised previously about the suitability of the Austrian method for different ground conditions following the collapse of a tunnel in Munich in September.

Cardinal pleads for poor

Cardinal Thomas Winning has portrayed successive governments as "robbing the poor to help the rich". The former archbishop of Glasgow in Scotland was one of 30 cardinals created by the Pope at the weekend and only the third Scottish cardinal in 400 years. He wrote in the Daily Mirror that "part of the blame for the plight of the dispossessed has to lie with successive governments".

He found it hard to defend the support of UK governments for flat-rate taxes and described as "the biggest political mistake ever" the poll tax introduced by the Thatcher government in the 1980s and abolished after a tide of protest in 1990. Cardinal Winning, who is 69, said the pressures encouraging selfishness were stronger than ever. "Money can make people like animals," he wrote. "When they get the taste for it, it is hard to get rid of it."

Sports car output to double

TVR, an independent maker of sports cars, is doubling the size of its manufacturing plant in Blackpool, north-west England, and starting its first night shift in order to build a third range of cars and expand production. The company said it had taken orders worth £10m for the Cerbera, a new 2+2 coupe model exhibited at last week's UK motor show which will enter commercial production before the end of the year.

The £33,000 car will be the first to use an engine of TVR's own design and manufacture, a 350 horsepower V8. TVR said the Cerbera would help lift the company's output to more than 1,000 cars this year for the first time in its 40-year history. The company said: "The £10m covers the supply of 276 cars and means that production next year could well rise to 1,350-1,400." TVR produced 827 cars last year, and just over 500 in the first seven months of this year.

Police start cut-price patrols

Police in the city of York yesterday stopped making routine patrols by car because of a shortage of funds for fuel. Officers now patrol on foot or on bicycles and use cars only for emergency calls and special investigations. The shortfall has been caused by a big increase in police pensions, which are financed from the same budget as fuel.

Last hangman dies

Mr Syd Dernley, the last surviving hangman in Britain, died yesterday at the age of 73 – 41 years after his five-year career ended. His widow recalled yesterday at their home in Mansfield, central England, that his proudest boast was that he was the fastest executioner in the profession. He helped end the lives of 25 criminals. "He was a craftsman, like a carpenter, if you like," his widow said. "He took a pride in his job, but he wasn't a callous man. Nobody suffered; he was very quick."

Connection blown up by IRA will cost £1m to restore

Ireland power link to reopen

By John Murray Brown in Dublin

Officials from Northern Ireland Electricity, the privatised power utility, are assessing what needs to be done to restore the power link with the Irish Republic.

The interconnector between the two parts of the island was blown up by the Irish Republican Army several times in the 1970s. The power link has become a symbol of the drive towards cross-border co-operation in the wake of the IRA and loyalist ceasefires.

Northern Ireland Electricity has been in "active discussions" with the republic's Electricity Supply Board about terms.

All-island co-operation in areas such as energy, telecommunications and tourism are likely to increase if there is a lasting political settlement. In the past week, the Northern Ireland board and the republic's supply board have commissioned two cross-border emergency connections in the north-west of the Northern Ireland, traditionally an "energy-poor" area.

That project attracted support under the European Commission's "Valoren" scheme, and the north-south interconnector is likely to win EU support. NIE, Northern Ireland's largest company, said yesterday that the interconnector with the republic could be working again in five months. Substations will have to be re-equipped to account for the disparity in voltages used in Northern Ireland and the republic. The total cost of restoring the interconnector is estimated at £1m.

NIE has 4 power stations with installed capacity of 2,300MW, which is 40 per cent higher than peak needs. The interconnector will enable NIE to meet the republic's projected increased demand.

MANAGEMENT

Tim Dickson on a training resource for large employers that also helps unemployed young people

A voice for volunteers

Prince's Trust Volunteers: poised for substantial expansion over the next few years

One passage in last week's 400-page report of the Labour party's Social Justice Commission was studied with particular care by Elizabeth Crowther-Hunt.

It described the eye-catching if ambitious proposal for Citizens' Service, a potentially "big" political idea for tackling unemployment through the mobilisation of young people in nationwide community project teams.

Crowther-Hunt's interest stems from the fact that the Prince's Trust Volunteers, a royal charity backed by 100 large UK employers of which she is full-time director, already adopts a strikingly similar approach. Indeed, she and her patron will no doubt have been pleased that in several places the Commission cites the PTV as a possible model for its own scheme.

Labour's implicit endorsement of PTV – party leader Tony Blair gave Citizens' Service a warm welcome even though it is not official party policy – comes with the Prince's charity poised for a substantial expansion over the next few years.

Current capacity is likely to be doubled to about 4,000 places per annum by next March, but prime minister John Major has pledged the government's support to achieve a target of 25,000 volunteers a year by the end of the century – "a figure which would certainly make a difference," suggests PTV chairman Mike Woodhouse of Bowater.

Under the Volunteers programme, a mixture of young people in jobs and the young unemployed join 15-strong teams, which undertake an intensive 60-day programme (normally full-time, although it can be spread over 6 months). Of the 60 days, 20 are spent on classic "team building" activities and 40 on community projects and placements (for example, working with the old and disabled, in schools, hospitals or on environmental projects).

Government and royal patronage aside, PTV's growth plans will depend on the organisation's ability to persuade large employers that the scheme is a valuable and cost-effective staff training resource, and that they should therefore release more of their young employees to participate in programmes.

The magic ingredient, according to enthusiasts, comes from the mix of employed and jobless. "Like most companies we are trying to break down hierarchies and introduce team working," says Mike Riley, chief executive of LLanelli Radiators in Wales, part of the Japanese Calsonic Corporation. "We find that sending people on PTV programmes offers young graduates or those who have come to us from less academic backgrounds the chance to work with others, often under pressure, and to develop their leadership skills. I'm a big supporter."

KPMG, J. Sainsbury, Marks and Spencer and National Westminster Bank – and the Benefits Agency, Royal Mail and the Inland Revenue in the public sector – are among organisations that support Volunteering. Employers pay £1,200 per place as well as their secondees' wages; the unemployed continue to receive social security benefit.

PTV claims that the results since it started in 1990 have been positive for everyone. It quotes a recent survey in which 70 per cent of employers saw a significant change in their participants in at least one skill area; 50 per cent in two or more areas, and almost 30 per cent in three or more areas. Improvements in team working, communication and problem-solving were also noted.

Routine surveys of unemployed Volunteers taken three months after programmes had ended show that 70 per cent have either found a job or are in further education or training, while around half continue to volunteer in a significant way after leaving the course.

For aspiring board directors

Psst! Fancy a seat on the board of a company chaired by ICI's Sir Denys Henderson, and where Andrew Teare of English China Clays is chief executive?

Just such an opportunity was made available this week by headhunters Spencer Stuart, the Wharton Business School of Pennsylvania and the international accounting and consulting firm KPMG.

Before would-be directors rush to sign up, though, they should bear in mind that the company in question – MegaMicro – is fictitious, the board posts are on offer for just the two days of a training programme next March, and they come with a price tag of £4,000 plus VAT.

Known as the Director's Institute in the US where it was launched last year this so-called Directors' Forum has been devised by the three joint venture partners to fill what they perceive to be a gap in the UK market for directors' training. The programme – aimed at execs and non-execs alike – is essentially a board simulation exercise based on the imaginary but true-to-life MegaMicro during which participants address issues facing the company in the course of audit and remuneration committee meetings and a full board meeting.

Strategy, succession, remuneration, product liability, and new financial instruments are among corporate governance subjects that will be raised.

An important feature is the panel of advisers – an impressive list of the great and the good who have indicated their willingness to offer advice, lead the discussion, or even play a role in MegaMicro (hence the close involvement of Henderson and Teare in the first programme). Panel participation is one way the Forum hopes to distinguish itself from rival programmes such as that run by the Institute of Directors.

Details available from Anne Ferguson or Allan Stewart of Spencer Stuart on 071-493 1238.

Tim Dickson

Talent defects to the private sector

David Goodhart continues a series with a look at the task of overseeing a group of job centres

Public services management

Lydia van der Meer

Margaret Walker: promising young manager lured elsewhere

Margaret Walker runs 12 job centres in south-east London, serving areas with some of the highest and most intractable unemployment in Britain. As a district manager for the Employment Service, she is responsible for about 600 job centre staff and an annual budget of £13.1m, £9m of which is spent on manpower. Those 600 are in turn in charge of paying out benefit to more than 50,000 people, policing the rules which claimants must abide by, and trying to return them to the labour market as quickly as possible.

Bustling between her different job centres, Walker, 34, seems the very picture of the efficient, compassionate, public-sector manager. She has certainly got results. Her district of the Employment Service (the government agency which runs the job centres) was last month awarded one of the government's Chartermark awards for good service.

She has also benefited, winning significant performance bonuses. But such bonuses have only raised her salary to a little over £30,000 per year, not a large amount by private-sector standards for someone with her responsibilities.

And not enough to keep Walker in the public sector. Later this month she takes up a post with the recruitment company NB Selection. "Private-sector experience will be useful. I envisage returning eventually to the public sector, perhaps to run a big hospital."

But Walker clearly feels there is a glass ceiling preventing people like her rising much further in the civil service. She believes this is more to do with her personality than her sex.

She certainly displays an un-civil service directness about the frustrations of the job. "There are still irritations like the annuality rules on money, which force you to hand back part of anything you save at the end of a year," she says.

Walker also believes promotion opportunities are shrinking as layers of management are cut out. "When you have a large number of people who entered the department in the 1970s, flat management makes it difficult for the people that came in later," she adds.

The exit of a promising young manager such as Walker illustrates the problem faced by organisations – especially in the public sector – moving from a "promotion culture" to a performance pay culture.

"In theory the point of such a shift is to make it more attractive to people like Margaret to stay doing something they are good at, such as running job centres, rather than moving them on to things they may be less good at," says Jeremy Cowper, head of corporate development at the Employment Service. In practice it may be causing promising young managers to flee.

Another problem for the public sector is gaining the right balance between local managerial discretion and national rules. An organisation which hands out billions of pounds of public money cannot afford to give local managers too much discretion, but with no discretion at all it becomes impossible to attract talent.

Walker has had some freedom – she has, for example, introduced a non-statutory childcare system for single mothers – but most of her job has been about applying national rules.

"We are trying to combine humanity with the spirit of the law," she says.

Walker was recruited from the ranks of the unemployed. After going from a Midlands grammar school to Oxford she failed her bar finals and found herself jobless for a year in 1982.

"Having experienced the system with all its petty humiliations I know how harrowing it can be," she says. But she insists things have improved since then. There is better integration of job search and benefit receipt under one roof, and a new language of clients rather than claimants.

Given a free hand to make one change to the system Walker says she would introduce a third category between formal employment and claimant status.

"I come across a lot of people who are basically unemployable but who still have quite a lot to offer, we need some mechanism for allowing them to receive benefit unconditionally while doing various kinds of unpaid work."

It is not an idea which will find favour with a government trying to toughen the conditions for receiving benefit. But the government is about to become her ex-employer, so Walker does not care.

PEOPLE

Neil Davidson to make his mark in milk

Neil Davidson, a director of Northern Foods, one of the UK's biggest food manufacturers, was yesterday elected president of the Dairy Industry Federation, the new body representing milk processing companies.

His election coincided with the deregulation of the milk market, under which the statutory Milk Marketing Board was abolished and Milk Marque, a voluntary farmers' co-operative, launched as its successor.

Davidson, 43, is responsible for all Northern Foods' milk activities, representing 50 per cent of turnover. He joined the group in 1977 and for the past two years has been responsible for milk buying.

Under deregulation, the federation, formerly known as the Dairy Trade Federation, loses its statutory right to negotiate milk prices on behalf of the dairy trade. As an industry lobby, however, it will now grant automatic seats on its council to all major dairy companies.

Davidson signalled that he wanted a more constructive relationship with other parts of the industry following the acrimony that has marked the past 18 months of preparation for deregulation.

"My aim is to lead an organisation which represents the interest of both large and small buyers of milk, is clearly focused on what it is trying to achieve, and is positive and constructive in its outlook," he said.

Under its retiring president, Jim McMichael-Phillips, the federation was accused by the House of Commons agriculture committee earlier this year of "intransigence" in its opposition to the new arrangements.

Davidson says he looks forward to a healthy dialogue with William Waldegrave, the agriculture minister, and farmers' leaders. But he noticeably did not refer to Milk Marque, with which the dairy trade is engaged in a fierce row over prices.

He also maintained the dairy trade's assault on the new system, saying it had "distorted the market and led to artificial raw milk price increases".

Sir Brian Shaw – Knight of the Road. Sir Brian (above), chairman of the Port of London Authority, is to be the next chairman of The Automobile Association, which represents one in three of all UK motorists and solved 4.5m breakdowns last year.

Sir Brian, 61, will take over as chairman at the end of next year when the current incumbent, Sir Ralph Carr-Ellison, turns 70. Sir Ralph, a landowner in the north east who has been chairman since 1986, has presided over a period of rapid change. The AA's membership has increased from 6m to 8m and the voluntary organisation has invested heavily in information technology to handle over 6.5m calls a year from motorists.

Sir Brian, a former chairman of the Furness Withy shipping group, will inherit a major private business. Last year the AA reported pre-tax profits of £39.7m on income of £576m and net assets of £178m. Although half the AA's income still comes from subscriptions, 28 per cent comes from insurance and financial services and provides the bulk of the organisation's profits. Other AA ventures include Britain's second biggest driving school and the introduction of an emergency service for homeowners (AA Homeline).

■ **Leslie Goodwin**, ceo of the Jardine Members' Agency, has been appointed chief executive of METHUEN (Lloyd's Underwriting Agents); John Cox, the md, is to take early retirement next April.

■ **Roger Letby** has been appointed md of Heath UK Holdings, the retail operation of C.E. HEATH.

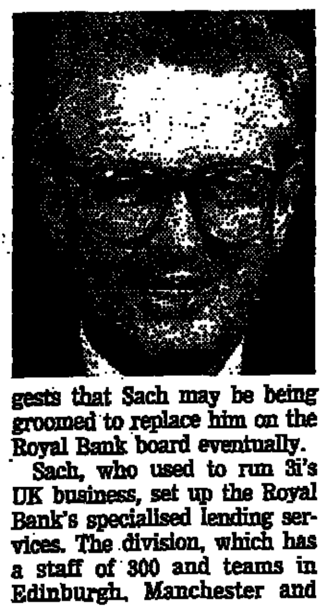
■ **Bill Haynes** has been promoted to md of SUN LIFE Unit Services.

■ **Michael Cameron, Robert Elphick, Stephen Emmott, Graeme Murray** and **Jonathan Lee** have been appointed directors of H. CLARKSON and Co.

■ **Jock Mawson** has been appointed md of LONHAM GROUP.

■ **John Hastings-Bass**, md of JIB's personal and commercial insurance division, has been appointed chairman of JARDINE Financial Consultants.

Expanded role for Sach at RBS



Derek Sach, 46, who joined The Royal Bank of Scotland two years ago from the 3i Group, has underlined his steady rise up the Scottish bank's management team by being appointed to the newly created post of director of group risk.

Although not a main board director, Sach takes over many of the responsibilities of John Barclay, RBS's deputy chief executive who retired last summer. Sach will be responsible for the co-ordination of the management and control of risk throughout the Royal Bank Group. He will report to Bob Spiers, 58, a former finance director of Britoil, who took over as Royal Bank's finance director in July 1993.

Spiers is expected to retire when he turns 60, which suggests that Sach may be being groomed to replace him on the Royal Bank board eventually.

Sach, who used to run 3i's UK business, set up the Royal Bank's specialised lending services. The division, which has a staff of 300 and teams in Edinburgh, Manchester and London, has pioneered a number of techniques to rescue and assist customers in difficulty. One indication of the success of Sach's approach to a problem which dogs every bank is that the number of receivers appointed by the Royal Bank has fallen from 420 in 1992 to 150 last year and he expects this year's figure to be around 100.

While Sach admits that the decline in the number of receivers is partly to do with the recovery in the economy, he also believes that it has something to do with the Royal Bank's "completely new approach to customers with problems". Sach will continue to be responsible for the specialised lending services division in his new role.

■ **Jouni Kokko**, international economist at SG Warburg, is leaving in mid-November to return to his native Finland to be head of market advisory at Enskilda Corporate, the investment banking arm of the Swedish bank SE BANKEN in Helsinki.

■ **John Thomson**, formerly general manager – finance and administration, has been appointed deputy chief executive of COVENTRY BUILDING SOCIETY.

■ **Keith Jones**, formerly a director of Lazard Brothers, has been appointed head of investments at NPI.

■ **Dino Fuschillo** has been appointed a director of LAZARD Investors.

■ **Philip Ker**, formerly an md of Merrill Lynch International Bank, has been appointed head of NOMURA's international prime brokerage unit.

BUSINESS AND THE ENVIRONMENT

A European consortium hopes to overcome the high costs of recycling, writes **David Lascelles**

Place for plastics

Amid the mass of pipes and chimneys at British Petroleum's giant refinery at Grangemouth near Edinburgh, the small assembly of silvery tubes standing by the roadside looks insignificant. But the 20ft-high mini-plant could have important repercussions for the petrochemicals industry.

The plant is an experiment by several leading European petrochemical companies to address one of the most difficult issues facing their business: plastic recycling.

With public and legal pressure building up to re-use more of the plastic that seems to go needlessly to waste, the industry is anxious to be seen to be seeking solutions. But it is not an easy task because, as Michael Buzzacott, chief executive of BP's polymers and olefins division, says: "Plastic recycling is fundamentally uneconomic."

Waste plastic can be used in several ways. It can be burnt as a fuel for power generation, it can be melted down to make new plastic products (a process known as mechanical recycling), or it can be taken a stage further and reduced to petrochemical feedstock – the raw material for plastic-making. But most of it currently ends up being incinerated or buried in landfill.

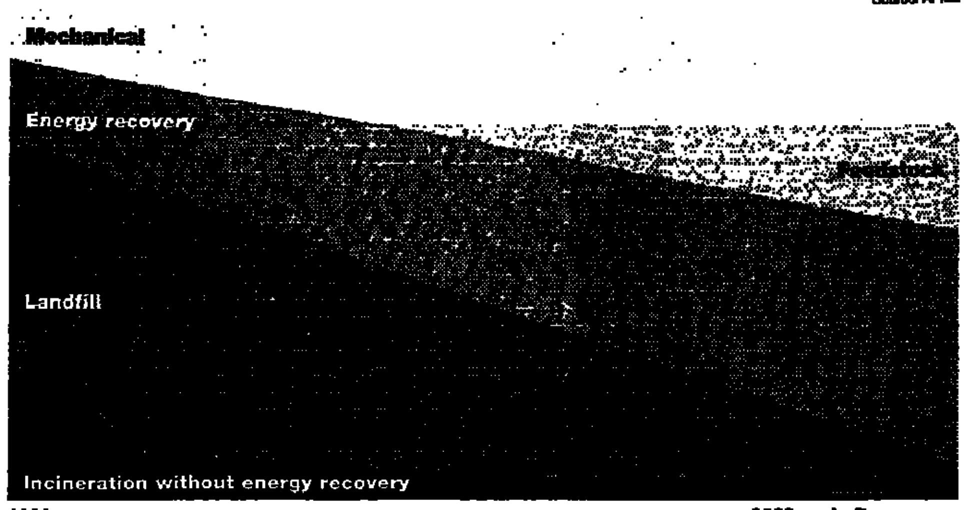
According to APME, the association of European plastics makers, only a quarter of plastic is recoverable because the rest is too dirty, too small or, like plastic film, too flimsy to be handled.

Even this figure creates a false impression because two-thirds of recovered plastics are burnt for power generation – a fate widely considered to be unacceptable – and only one-third (or 7 per cent of total plastic) is recycled into new products. In the UK, the figure is even lower: 5 per cent, according to a new survey by Mintel, the market research organisation.

Part of the problem is technical: mechanical recycling is difficult because plastics have to be sorted into their different types, and the plastic that emerges is second rate. The difficulty of collecting, cleaning and sorting plastics also adds vastly to the costs.

In Germany, where tough packaging laws have pushed the process furthest in Europe, the cost of recycling plastic is put at DM3,000 (£1,250) a tonne, or twice the cost of virgin plastic. "If we have to pay such a high fee for plastics, then the competitiveness of this product is in danger," says Johannes Brandrup of VKE, the German plastics trade group.

Disposal options



Beyond 2000, most plastic waste will be burnt to produce energy and a shrinking portion will go into landfill. Mechanical recycling is expected to remain relatively stable, while petrochemical feedstock will take a growing share.

A proposed EU directive would require the industry to recycle 15 per cent of plastic, or twice the current amount. APME estimates that mechanical recycling will only be able to contribute half of this, so other means, notably feedstock recycling, will have to be developed to handle the rest.

The Germans are currently leaders in this technology. Both VEBA and BASF have substantial plants capable of recycling 55,000 tonnes a year. But chemical companies in other countries are concerned about German dominance, and five of them linked up to sponsor the Grangemouth feedstock recycling experiment in order to promote an alternative. They are BP, DSM of the Netherlands, Elf Atochem of France, Enichem of Italy and Fina of Belgium.

Their £4m project was launched last year and is due to bear fruit at the end of this year with the completion of the 750-tonne a year pilot project.

The plant accepts mixed plastics ground into pieces a maximum of 2cm across and passes them over hot sand which converts them into a gas. This is distilled back into plastic feedstock and comes out in two forms, one looking like wax and the other like olive oil. This can be fed back into the petrochemical plant to make fresh plastic.

One difference between the Grangemouth plant and the German process is that it could be replicated at many small plants rather than a few big ones. These plants, with capacity of 25,000 tonnes a year, would be located at chemical works or even beside municipal waste tips, which should reduce the costs of collection compared with the centralised German system. They would also manufacture their own energy and be self-sustaining.

But although engineers at Grangemouth are pleased with the technical performance of their plant, the economics of plastics recycling remain a formidable obstacle, mainly because of the collection and sorting costs which account for two-thirds of the total.

According to Christian Troussier, chairman of the consortium, the most economic way of using waste plastic is to burn it as a fuel, but this is widely viewed as wasteful. The least economic way is mechanical recycling, although that tends to be the most popular with the public.

Feedstock recycling, he says, fits somewhere in the middle. It is not as expensive as mechanical recycling, and it has public acceptability. To make it work, he believes that up to two-thirds of the cost would have to be covered by a "service fee" – in other words people would have to pay to have their plastic recycled, either voluntarily or through a levy.

Buzzacott says: "The limit on how far we go will depend on the green conscience of Europe. But in the end, the consumer or the taxpayer will have to pay."

This view is disputed, however, by the environmental lobby which accuses the plastics industry of deliberately exaggerating the cost of plastic recycling in order to obstruct regulatory moves. The industry could do much more, it argues, to reduce collection costs.

Some environmentalists say that manufacturers of plastics containers should go further and design their products so that they are more readily reusable, doing away with recycling altogether.

The plastics industry feels, though, that the debate about recycling ignores some key aspects. For example, only 4 per cent of crude oil is turned into plastics. The rest is burnt as fuel. So if people are concerned about wasting a non-renewable resource, they would do better to curb the use of petrol.

Moreover, greater use of plastics can itself save energy. Dieter Burkle of Elf Atochem says that 100kg of plastic can replace 200-300kg of metal in a car. This weight reduction should save 750 litres of petrol over the lifetime of the car, which is a significant contribution to conserving resources.

Insurers in a storm

Fifteen catastrophic hurricanes, floods and storms cost worldwide insurers more than $80bn (£50bn) since a period of weather extremes set in five years ago, according to an article in the latest World Watch Institute's journal.

In 1992, Hurricane Andrew struck Florida and set a new record for damages at $25bn. The Mississippi floods in 1993 cost $12bn. Europe was hit by four severe windstorms in 1990 which accumulated damages of $10bn. Japan was struck in 1991 by Typhoon Mireille with nearly $5bn in damages.

As the damages mount, insurers have begun to take seriously the global warming theory advanced by many scientists. The fear is that the warming, spurred by "greenhouse gases", produced by fossil fuels, could seriously disrupt the world's atmospheric and oceanic systems.

The lack of agreement in the scientific community has made the insurers wary. But their interest is being applauded by environmentalists who see the insurers as a potential counterweight to the power of the oil and coal interests in the global warming debate.

Christopher Flavin, author of the World Watch article, is urging the insurers to enter the struggle over climate police. "Few industries are capable of doing battle with the likes of the fossil fuel lobby. But the insurance industry is," he says. "On a worldwide basis the two are of roughly comparable size and potential political clout."

The insurance industry could, for example, push government to tighten energy efficiency rules for new buildings. It could actively lobby for a stronger global climate pact.

It could also use its investment capacity. "If they [companies] were to dump some of their stocks in oil and coal companies or actively invest some of their funds in new, less carbon-intensive energy technologies [forming a sort of climate venture fund], insurance companies could spur the development of a less threatening energy system," says Flavin.

Unless the industry begins to use its clout in the struggle over climate policy, its future "is likely to be stormy indeed," said Flavin.

Nancy Dunne

Planting business skills in Ethiopia

The Borena tribe, nomadic pastoralists in southern Ethiopia, measure wealth by the number of animals they own.

This can pose problems in the harsh environment of the Borena region, just north of the border with Kenya. Although drought regularly depletes sources of food and water for cattle, camels and sheep, there is resistance to sacrificing some animals to improve the others' chances.

Tradition exposes further clashes between economics and environment. The Borena sell animals when prices are high – but wait to buy grain until they need it months later. By then they have less cash and grain prices have risen – often because of drought.

Ethiopia seems synonymous with drought. Yet four decades ago about 60 per cent of the country was forested, compared with less than 3 per cent today.

Hence an experiment to bring business skills to the Borena. The community is learning to run grain co-operatives, to operate credit schemes and to plan ahead, in a project launched by Care International, the aid agency.

Care's immediate aim is to act before a famine strikes. Grain which might in a crisis have been donated free is being sold at a below-market price to the Borena. They can then sell through co-operatives at an agreed profit.

About 300 tonnes of grain have been donated by the World Food Programme for the project. By selling the grain to the Borena, Care ensures an affordable local market price for grain, diversifies business skills in the community and even makes some money after costs. This allow it to fund other local projects, such as credit schemes for small businesses and teaching the community to construct sealed storage pits for grain, which allow purchases when prices are low.

Ethiopia's problems are largely linked to land use and a fast-growing population. Deforestation for farming, fuel, fencing, tools and housing have left the land vulnerable to soil erosion and desertification.

Intensive subsistence agriculture has so depleted soil that Ethiopia can no longer feed its 55m people – even when harvests are good. While the weather is an important determinant of food production, aid and environmental experts alike believe some answers lie in small-scale, self-help projects: such as reforestation, agricultural terracing to contain erosion, irrigation to control flooding and soil and water conservation.

"Famine is not about drought, it is about vulnerability to drought. There is drought in Europe but no famine," says Fiona Meehan of Rest, the Relief Society of Tigre.

Tackling that vulnerability is often an uphill struggle, as evidenced by various reforestation projects. Farmers are not always committed to their success because they fear losing reforested land to the government; saplings are sacrificed for fuel or forage material in times of need; and seedling losses have also been high, having been badly planted or an inappropriate species.

The country has 25m goats, whose hides are exported. "They are worth about $2m (£1.25m) a year for gloves, but they eat all the young shoots," says Girma Woldegiorgis, vice-president of LEM Ethiopia, an environmental group. "It's not worth it to sacrifice so much for so little."

Ideals of conservation may seem outlandish in a country where thousands have died from hunger this year, but economic diversification is important for the future. The transitional government of Ethiopia – which replaced the Mengistu regime three years ago – has allocated $37m this fiscal year to the preservation and development of natural resources.

It is also considering preservation of 8.5 per cent of the nation's land for forests, parks and wildlife reserves. Ethiopia has more unique species than any other African country and earned $23m last year from its immature but growing tourism industry.

Hilary de Boerr

LEGAL NOTICES

No. 00 6583 of 1994

IN THE HIGH COURT OF JUSTICE CHANCERY DIVISION.

IN THE MATTER OF THE BIRKDALE GROUP PLC AND IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a petition was on the 11th day of October 1994 presented to Her Majesty's High Court of Justice for the reduction of the Share Premium Account of the above named Company by £3, 754,000.

AND NOTICE IS HEREBY GIVEN that the said petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London WC2A 2LL at 10.30 am on the 16th day of November 1994.

ANY creditor or shareholder of the Company desiring to oppose the making of an Order for the confirmation of the said reduction of the Share Premium Account should appear at the time of hearing in person or by the Counsel for that purpose.

A copy of the said petition will be furnished to any such person requiring the same by the under mentioned solicitors on payment of the regulated charge for the same.

DATED this 1st day of November 1994

Nabarro Nathanson
50 Stratton Street
London W1X 5FL
Tel: 071 493 9933
Ref: 1A/GT/SXJ/B2193/21

Solicitor for the Petitioning Company

Television/**Christopher Dunkley**

Fabricated thoughts

When Garry Bushell, television critic of The Sun, went on Channel 4's culture series *Without Walls* to attack the "middle class culturati" who dominate television for suppressing the working-class hero Alf Garnett, it was not Johnny Speight, creator of *Till Death Us Do Part* and therefore of Garnett, who was so striking. Nor was it the black TV presenter Darcus Howe, who bravely and sanely argued for the true freedom of speech which the Garnett series represented. The most memorable moment came when Bushell showed us his local Working Men's Club on St George's night with a crowd of Londoners roaring out "We are red, We are white, We are English dynamite". Why was this such an astounding and unforgettable scene? Because (this was Bushell's point) while the TV mandarins provide us with countless programmes about West Indian working-class culture, Scottish working-class culture, and even Chinese working-class culture, they systematically suppress any reference to English working-class culture unless it is generations out of date, very left wing, or very sentimental. Gosh, Vanessa, "We are red, We are white, We are English dynamite"? that's fascist isn't it? Oh yah, Emma, let's show that nice clip of the battle of Cable Street again.

Those who say "Come on, don't pretend it's Orwellian, it's all perfectly harmless", might reflect on the fact that, in the most recent screening of *The Dam Busters* on television, the name of Guy Gibson's black labrador had somehow been changed from Nigger to Trigger. Thus do the Thought Police become a reality. Someone in television is already doing Winston Smith's job.

★

The idea of re-making old television dramas which were originally broadcast live, or recorded and then wiped for reasons of economy, is a good one. But what possessed BBC2 to choose Dennis Potter's *Message For Posterity* as the re-make to open a new series of "Performance"? After its first production in 1967, my predecessor, T.C. Worsley, gave a detailed explanation on this page of why it was an inferior example of Potter's work. After describing the play, about an old politician having his portrait painted, Worsley wrote "So what has it all amounted to? Alas, nothing at all. Every issue has been burked. A non-confrontation has taken place, and a purely arbitrary dénouement has been tacked on – much too arbitrary, this attack of madness, to make the flip comment 'We always win in the end' have any resonance. I am severe towards Mr Potter's work only because I am so sure that his real gifts will one day flower into something remarkable". Ten out of ten to Worsley and "Must try harder" to the BBC, which magnified the silliness of choosing a poor apprentice piece by having it directed as ineptly as any major drama undertaking from them in the last 10 years.

★

In BBC2's *Walking The Wall* and *Fall Of The Wall* we have seen television doing one of the things it does best: synthesising recent history. The first programme was concerned with the physical entity of the wall, from the moment it was built until the moment it was sold off in large and small pieces, with fake lumps on sale in street markets. The second told the fascinating story of how the wall, and hence all the contingent dominoes, fell. By combining newsreel clips with the key protagonists speaking to camera – from Otto von Habsburg who led the trans-wall picnic, to Hungarian prime minister Miklos Nemeth who described looking into Gorbachev's eyes at the Warsaw Pact meeting and knowing he could breach the iron curtain with equanimity – it provided an engrossing first-hand account of one of the most heartening key events of the 20th century.

★

Have you seen the appalling new chat show in which six embittered men sit around slagging off women? One of them will say "The only things I need a woman for are sex and washing my socks", and the rest all agree and try to say something even more contemptuous about women. Unthinkable on such a politically correct channel as BBC2? Well yes, of course. The programme, called *The Last Word*, actually features six women slagging off men, saying "All I need a man for is sex and DIY" and so on. Totally different. Germaine Greer (who else) is in the chair, and the only mystery is what the usually sensible Ann Leslie is doing among such a cheerless, self-pitying bunch. How the world has done them down! How men have done them down! How their parents have done them down! How ghastly it is to have to have children! How terrible it is not to have children! Incapable or terrified of simple human affection so long as the opposite sex is involved, they accompany everything they say with a constant drone of anti-male sentiment, like that awful background keening you get from a hurdy-gurdy. Saddest 45 minutes of the week.

★

The opening episode of *Ellen*, a newly imported American comedy series on Channel 4 on Friday, caused considerable laughter in our household. True, it is yet another programme about a bunch of oddly assorted 30-somethings, but it has that fast-fire wise-cracking quality which is missing from so much British comedy. Off for a major "intergender ordeal", Ellen opens her coat to reveal a little black number and asks "Okay you guys, does this say *desperate?*" The following programme, *Paris*, a comedy in which Alexei Sayle plays an artist in 1920s France, has reached its mid point (three out of six episodes) without raising more than a snigger and a couple of groans on the old green sofa. Sayle, one of the truly original talents of his generation, is not suited to this sort of sitcom.

★

People are always inexplicably keen to parrot myths. On Monday yet another commentator writing about *Drop The Dead Donkey* repeated the assertion that "Topical quips are cut seamlessly into script at the last possible moment before transmission". Actually 98 per cent of the comedy in this – still excellent – series, set in a television newsroom, arises from well established character traits (Sally's superciliousness, Damien's cowardice). The few topical quips delivered in vision are so obviously tacked on that they are scarcely worth the trouble. Most of the topicality is, anyway, inserted voice-over above the end roller.

Topical myth: in 'Drop the Dead Donkey', an excellent series, most of the newsy bits are inserted in voice-overs rather than visual scenes

Munich Opera

Hytner's Don Giovanni

The Bavarian State Opera's new production of *Don Giovanni* is Nicholas Hytner's latest excursion into opera – an art form he is threatening to give up in favour of spoken theatre and film. The staging is simple, abstract and clear, does not overwhelm the music, and gives Peter Jonas his first solid success as intendant in Munich.

Why, then, does *Don Giovanni* not come across as powerfully as it should? The polished singing cannot be blamed, nor can Colin Davis's inspired conducting. The answer lies in Hytner's own ambivalence. He sees *Don Giovanni* not as a morality play, but as an opera which questions social norms – offering no judgments, providing no solutions. Like Mozart's music, Hytner refuses to give indicators of good and bad. They co-exist, and we must draw our own conclusions.

Bob Crowley's decor is painted blood-red from start to finish. Two featureless portals frame a succession of dropcloths in the intimate scenes, a curved tunnel in the ensembles – and provide a dramatic showcase for the arrival of the Stone Guest, accompanied by the Great Reaper astride a real white stallion.

The all-red setting emphasises some pointed symbols – the hand of the almighty, the crucifixes of a patriarchal society. It also throws into relief Hytner's intelligent direction of the principals, dressed in black 18th century costumes. The cast works with concentrated poise – but the result is curiously bloodless.

One reason may be the shortage of humour. At Monday's opening performance, the only laughs came when Giovanni tempted Zerlina with visions of bedded bliss – illustrated by a pop-up neoclassical villa. But the main reason seems to be that Hytner is too keen on maintaining equilibrium. William Shimell's Giovanni is neither a seductive anti-hero nor a villainous thug – he is a charmer who fails to achieve a single conquest, an aristocrat who indulges in bun-fights with his servant.

Despite a flawless Champagne aria, Shimell is constantly in danger of being upstaged by Lucio Gallo's Leporello – whose leery grin, crisp bass and artless diction make him more naturally hot-blooded. Angela-Maria Blasi's Donna Elvira is no scatterbrain, but an Ann Trulove who loves her Rake. She is virtually indistinguishable from Sheri Greenawald's Donna Anna. Peter Seiffert's Ottavio makes do with one aria, but he sings flawlessly.

Most personable of all are René Pape and Alison Hagley. Pape's Masetto is no pushover, and he has a rounded bass which should suit him for the title role. Hagley's Zerlina is gentle seduction personified: "Batti, batti" was outstanding. And so was the conducting. There was more life, humanity and fear of death in the overture than anything in this summer's Salzburg production and Sir Colin realises the full symphonic weight of the penultimate scene.

Andrew Clark

A 'Giselle' of intelligence

Clement Crisp reviews Derek Deane's new production for English National Ballet

A certain amount of fuss has been generated around Derek Deane's new production of *Giselle* for English National Ballet. The transfer of the action to the Austrian Tyrol in the 1920s – shock, horror – has been cited as a means of making the ballet more interesting for audiences, and a note in the programme opens with the question: "How do you make an old ballet come alive or a new audience?"

The short answer to that is "By dancing it well". But fashions being what they are in opera and classic drama, the idea is common that the old repertory is made more appetising today by giving it a sharp kick in terms of historical period or theme. The sadness is that such galvanic activity usually serves to mask the inability of dancers and companies to discover the qualities of a work by more reputable means. Directoral caprice becomes a substitute for technical probity, stylistic respect, even rational understanding. Hence such fatuities as Mats Eks' relocating of *Giselle* in a loony-bin, or the continuing open-season for *Nutcracker* abuse, where any foolery is better than attention to score or choreography.

And so we now have Deane's *Giselle*, given its first performances at the Palace Theatre during ENB's current Manchester season. It has to be said that his innovations are largely cosmetic. This is not a radical re-thinking of a Romantic masterpiece. The text is traditional, the staging intelligent in reminding us of the dramatic tensions in the second act, where the wilis are shown as vengeful spirits rather than the usual horde of po-faced misses trying to look meltingly graceful while hopping across the stage in arabesque. Were it not for the ludicrous outfits of the Courland hunting party, and a few egregious touches in the first act, this *Giselle* would be run of the mill, and no less welcome for that.

Visually, the production is undistinguished. Charles Cusick-Smith provides a skewed and unlovely front-cloth of a Tyrolean resort, which rises to reveal a set for *White Horse Inn*. Giselle inhabits the obligingly identified "Stag Lodge" which faces a hostelry where her mama is housekeeper. (Cue bell-boys and maids for the pas de six). Albrecht arrives in a Rolls-Royce, whose luggage-boot will serve as hiding place for sword and cloak.

So far, so dubious and, thank heavens, half-hearted. The peasants are peasants still, in timeless balletic peasant gear (the boys have Bisto-Kid caps, which are a mistake). There is little shock for the traditionalist even with the arrival of the Courland hunting party. All Courland hunts look like refugees from the wonderful world of soft furnishings. This gaggle are merely more ludicrous than most, in stupefying hats and maniac suiting (Bathilde wears a frenzy of ocelot and a pair of curtains), with Charlie Drake as the Emperor Franz Joseph in a guest appearance from *Mayerling*. A winning touch are the skis borne by the servants – so usual at grape-harvest time.

The production is knocked hysterically for six, and on Monday night it took the sincerity of Agnes Oaks' mad-scene and the intensity of Thomas Edur's Albecht to remind me that we were watching a tragedy. The second act is, happily, timeless and true. The setting is of a rocky wilderness – rather too contrived in its menace – and the action well-staged, well-danced. Agnes Oaks may not be one of nature's Giselles, and her teak-dyed hair seems an affront to her blonde beauty, but everything that care and intelligence can do make the role credible, and her mad-scene is excellently thought-out.

Edur, that aristocrat among danseurs, is a heaven-sent, haunted, elegant Albrecht, his reading in the great tradition, his dancing of purest distinction. Susan Jaffe is a fine and menacing Myrtha, and Deane – who has restored a powerful sense of terror to this act – makes us feel a frisson of Romantic horror amid the circlings of vampiric, vengeful wilis. (When Fanny Elssler first danced *Giselle* in London 150 years ago, the programme note declared that Albrecht had fallen among "the wilis' fangs". Deane admirably evokes this long-lost ferocity).

ENB's dancers were in excellent shape on Monday night: the peasant dancers were buoyant; the wilis (Theda Bara to a woman) moved with implacable grace. Let the company persuade the Courland mob into mufti, and ENB will have a sound and useful *Giselle*.

Clement Crisp

ENB tours *Giselle* and *Swan Lake* to Leeds and Liverpool during November.

Theatre/**Alastair Macaulay**

Shakespeare's Language

If you love masterpieces in their original form, you may often feel alarmed at the way they are adapted, translated or deconstructed. I confess to a certain alarm at the current *Everybody's Shakespeare* season at the Barbican. Sure, it will be interesting to see what Germans, Japanese, Israelis, Georgians and others are doing with Shakespeare; sure, I wish I could see all the Shakespeare films. But we can bet that all this Bardomania will contain a fair share of Bardoclasm. I try to remind myself that I can love *Carmen Jones* as well as *Carmen*. But the fact remains that the prospect of a Peter Sellars *Merchant of Venice* makes me nervous.

It is good news, then, that the Royal Shakespeare Company's own contribution to the season leads us right back to the heart of the Bard – his language – in a week-long series of public workshops led by the company's brilliant veteran director, John Barton. Barton hurls no thunderbolts at us or at his actors and he reveals no special mysteries. He is the same source of rare good sense as in his 1984 TV series *Playing Shakespeare*, and as in many of his wonderful RSC stagings. He starts from the simplest premise: trust the text. And he asks the most basic questions: do the actors make the audience listen? What kind of character would say these words?

Working from these sound beginnings, he helps his actors to reveal marvels. During the week, he will work with Judi Dench, Peter Hall, Jane Lapotaire, Fiona Shaw and others. On Monday, he tackled scenes from *Henry V* with Penny Downie, Harriet Walter and Tony Church. The latter gave us a hilariously characterful account of the Archbishop of Canterbury's fustian speech on the Salic law, but when Barton asked him to point up the speech's many proper names, we reached another level of meaning at once. And that level was to become yet more pronounced in later speeches, when we heard names, names, coming back with deepening nuances. As Church himself remarked, after Walter had given a vivid account of Henry V's reading the lists of the dead, Shakespeare personalises the names of the dead more than he had when they were alive – so heightening the play's considerable pathos.

Barton threw Downie and Walter without any preparation into the delectable scene when Princess Katherine learns English from her maid, Alyse. Their account of this was a gem of spontaneity. Which was Barton's point: in Shakespeare's day, actors would have had no formal direction and little preparation for each new role. Today, we have to work to regain that natural entry into Shakespearian speech. But "you won't bring Shakespeare alive without that Elizabethan sense of the language."

The antitheses of the Prologue; the broken sense of discovery in Mistress Quickly's account of Falstaff's death; the heightened effect of having the French king pronounce French names *à l'anglaise*; the drama to be mined from the Herald Mountjoy's speech if spoken with barbed suavity; the brilliantly deflationary conclusion given to the play by the Epilogue sonnet . . . all these emerged with new clarity.

And as the veteran Church kept learning from Barton's points and his colleagues' performances, I remembered the exciting lesson I once learnt from seeing Ninette de Valois rehearse Robert Helpmann in a role she had created for him 41 years before: one is never too old to learn.

At the Pit, Barbican Centre

INTERNATIONAL ARTS GUIDE

■ BONN

Beethovenhalle In tomorrow's concert, Dennis Russell Davies conducts the Beethovenhalle Orchestra in symphonies by Mahler and Shostakovich. On Sat, Giuseppe Sinopoli and the Dresden Staatskapelle play works by Richard Strauss and Schumann. Homero Francesch plays piano music by Ravel on Sun (0228-773666)
Oper This month's repertory consists of Verdi's La traviata starring Marisa Vitali/Hasmik Papian, Puccini's La fanciulla del West with Barbara Daniels/Kathleen McCalla and Giuseppe Giacomini/Alexey Steblianko, George Whyte's new dance drama Dreyfus with music by Schnittke, and Il guarany, an opera by 19th century Brazilian composer Antonio Carlos Gomes. Youri Vamos' new production of Sleeping Beauty opens on Nov 27 (0228-773667)

■ COLOGNE

Opernhaus Tonight: Lothar Zagrosek conducts premiere of Michael Hampe's new production of Lulu, with cast headed by Patricia Wise, Hanna Schwarz and Wolfgang Schöne (repeated Nov 6, 9, 12, 15, 18, 23). Tomorrow, Sat: Der Wildschütz. Fri: TanzForum production of Peer Gynt, choreographed by Jochen Ulrich (0221-221 8400)
Philharmonie Sat: Frans Brüggen conducts Orchestra of the 18th Century in symphonies by Schubert and Mendelssohn. Sun morning, Mon and Tues evening: Lothar Zagrosek conducts Gürzenich Orchestra in works by Mozart and Allan Pettersson, with piano soloist Tzimon Barto. Sun evening: Vienna Musikverein Quartet plays string quartets by Haydn, Krenek and Dvorak (0221-2801)
Schauspielhaus This month's repertory includes Fiddler on the Roof, Camus' Caligula, Joyce's Molly Bloom and Brecht's The Good Person of Sechuan. Günter Krämer's production of Shakespeare's King Lear can be seen at Halle Kalk (0221-221 8400)

■ COPENHAGEN

Royal Theatre Tonight, next Tues: Fidelio. Tomorrow, Sat: Il barbiere di Siviglia. Mon: Hans Brenaa's production of Coppelia (tel 3314 1002 fax 3312 3692)

■ DRESDEN

Semperoper Tonight, Fri: La Cenerentola. Sat: Harry Kupfer's production of Handel's Belshazzar, starring Jochen Kowalski. Sun: Die Zauberflöte (0351-484 2323)
Kulturpalast Sat evening, Sun morning: Michel Plasson conducts Dresden Philharmonic Orchestra in a new work by Udo Zimmermann, plus Poulenc's Concerto for Two Pianos and Saint-Saens' Organ Symphony. Sun evening (Schloss Albrechtsberg): Dresden Philharmonic Chamber Orchestra plays works by Haydn, Dvorak and others (0351-486 6666)

■ FRANKFURT

Oper Tonight, Sat: Cornelius' comic opera Der Barbier von Bagdad. Sun: first night of new production of a double-bill consisting of Schoenberg's Pierrot Lunaire and Janacek's Diary of a Young Man who Disappeared (069-236061)
Alte Oper Tonight: Leipziger Pfeffermühle in an evening of musical satire - part of a series of cabaret shows at the Alte Oper over the next week. Tomorrow: George Benson and Buddy Guy. Fri: Howard Carpendale. Sun: Frans Brüggen conducts Orchestra of the 18th Century in symphonies by Schubert and Mendelssohn (069-134 0400)
Jahrhunderthalle Hoechst Tomorrow: Mikhail Pletnev conducts Russian National Orchestra in works by Weber, Mozart and Rakhmaninov. Sun, Mon: Stuttgart Ballet in choreographies by Hans van Manen (069-360 1240)

■ HAMBURG

Staatsoper Tonight, Sat: Hamburg Ballet in John Neumeier's ballet Die Kameliendame, music by Chopin. Tomorrow: Die Walküre with Sabine Hass, Linda Plech, Marjana Lipovsek, Poul Elming and Simon Estes. Fri, next Tues: Roberto Abbado conducts Andreas Homoki's new production of Rigoletto, with cast headed by Franz Grundheber and Hellen Kwon. Sun: Lortzing's Der Wildschütz (040-351721)
Musikhalle Sun morning, Mon evening: Gerd Albrecht conducts Hamburg State Philharmonic Orchestra in world premiere of new symphonic prelude by Schnittke, plus works by Haydn and Mozart. Next Tues: Mikhail Pletnev conducts Russian National Orchestra (040-354414)

■ HELSINKI

Finnish National Opera Tomorrow: La boheme. Fri: Nureyev's production of The Nutcracker. Sat, next Wed: Otello (0-4030 2211)

■ LYON

Opéra Tonight, Sat, next tues: Kent Nagano conducts Louis Erlo's production of La Damnation de Faust, with cast headed by Susan Graham, Thomas Moser and José van Dam. Tomorrow, Fri: Fabio Biondi conducts Europa Galante in orchestral works by Handel and Vivaldi. Sun and next Wed: concerts with soprano Cheryl Studer (tel 7200 4545 fax 7200 4546)

■ MARSEILLE

Opéra Tonight, Fri, Sun: Tiziano Severini conducts Jean-Claude Amy's new production of Lucia di Lammermoor, with cast headed by Kathleen Cassello. Jean-Luc Viala and Luigi Roni (9155 0070)

■ MUNICH

Staatsoper Tomorrow, Sat (also Nov 9, 11, 13): Colin Davis conducts Nicholas Hytner's new production of Don Giovanni, with cast headed by William Shimell, Lucio Gallo, Matti Salminen, Sheri Greenawald and Alison Hagley. Fri: Der fliegende Holländer with Ekkehard Wlaschiha and Julia Varady. Sat: Bavarian State Ballet in the Ashton production of La fille mal gardée. Mon, Tues: Colin Davis conducts Bavarian State Orchestra in Ritual Dances from Tippett's The Midsummer Marriage, plus symphonies by Mozart and Brahms (089-221316)
Gasteig Tonight: Bach's B minor Mass with soloists including Christiane Oelze and Hans-Peter Blochwitz. Fri: Sandor Vegh conducts Salzburg Camerata Academica in works by Mozart and Schubert, with piano soloist Rudolf Buchbinder. Sun: Mikhail Pletnev conducts Russian National Orchestra in Beethoven and Rakhmaninov (089-4809 8614)

■ OSLO

Konserthus Tomorrow, Fri: Leif Segerstam conducts Oslo Philharmonic Orchestra in works by Hovland and Mahler, with piano soloist Havard Gimse (2283 3200)

■ SAINT-ETIENNE

Saint-Etienne stages its third Massenet festival from Nov 4 to 13. This biennial event, honouring the city's most famous son, focuses on some of the composer's lesser-known works. This year's highlight is a production of Panurge, a Rabelais-inspired operatic comedy first performed in 1913, a year after Massenet died. There will also be concert performances of Le Cid, a song recital by French baritone Didier Henry and a concert featuring young French vocal soloists. The artistic director is Patrick Fournillier (7741 7619)

■ STOCKHOLM

Royal Opera Tonight, Fri, next Tues, Wed, Fri: Yevgeny Polyakov's new staging of the Nureyev production of Minkus' ballet Don Quixote. Sat afternoon: Aida. Mon: gala performance for centenary of Swedish Theatre Union (tickets 08-248240 information 08-203515)
Konserthuset Tonight, tomorrow: Sakari Oramo conducts Royal Stockholm Philharmonic Orchestra in works by Sibelius, Mozart and Strauss (tickets 08-102110 information 08-212520)

■ STRASBOURG

Théâtre Municipal Tonight, tomorrow: Opéra du Rhin in a staged production of Monteverdi madrigals. Next Wed: first night of new production of Madama Butterfly (8875 4823)

■ STUTTGART

Staatstheater Tonight: Stuttgart Ballet in John Cranko's Onegin. Tomorrow, Mon: Rolf Riehm's new opera Das Schweigen der Sirenen. Fri: Béjart's choreographic version of Die Zauberflöte. Sat: Lady Macbeth of Mtsensk with Kathryn Harries as Katerina. Sun: Cosi fan tutte (0711-221795)

ARTS GUIDE

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NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

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NBC/Super Channel: FT Reports 1230.

TUESDAY
Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY
NBC/Super Channel: FT Reports 1230

FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

Edward Mortimer

We all need to change

Next year's summit in Copenhagen should define social progress

From the people who gave you Rio 92 (the "Earth Summit"), stand by for Copenhagen 95: the Social Summit. You remember Rio, I expect. Behind all the razzmatazz there was a fairly simple north-south dialogue. The north was alarmed about the fate of the planet, and had noticed that some of the world's remaining stocks of non-renewable resources, such as rain forest, were concentrated in the south. The south noticed that, for once, it seemed to possess something of interest to the north, and sought to turn that to advantage.

Southern leaders suggested, politely or otherwise according to temperament, that if the planet were to be saved its resources should also be more equitably shared. Some also pointed out that the north, by its sheer volume of consumption and production, was doing far more damage to the global environment than the south.

It was a frustrating dialogue for both sides. Ecologists and development economists alike felt that the urgency of their concerns had not really been recognised. The sums of money pledged seemed pitifully small in relation to the ambitious targets set, and there was every sign that even those pledges would not be fulfilled.

The leaders of northern democracies were not ready to ask their electorates to accept the radical change of life-style that Agenda 21, the action programme endorsed by the Rio summit, implied. Indeed, the powerful and comfortable elites of north and south alike were clearly not about to make such changes in their own life-style.

Yet many believe that on balance the exercise was worthwhile. There is now a wider recognition in the north that the threat to the global environment cannot be dealt with unless the conditions of squalor and hopelessness in which more than a quarter of the globe's inhabitants live, without access to clean drinking water or sanitation, are also addressed.

There is a corresponding awareness among southern elites that, whoever's fault it is, their peoples will be the first victims of continuing environmental degradation. Policy changes so far may be inadequate, but at least they are mostly in the right direction.

So perhaps the "world summit for social development", to be held next March, is the logical next step. This time it is the south which is bringing its agenda to a northern capital. Interestingly, the moving spirit behind the Copenhagen summit is the UN representative of a star pupil in the class of southern governments applying current northern economic orthodoxy: Ambassador Juan Somavia of Chile.

This time it is the south which is bringing its agenda to a northern capital

Even the Chilean government, it seems, has decided that Chicago School economics are not enough. Chile has put itself at the head of a movement of southern states seeking to remind the north that the UN was never meant to be only a world police force. It also aimed, in the words of the preamble to its charter, "to promote social progress and better standards of life in larger freedom", and "to employ international machinery for the promotion of the economic and social advancement of all peoples".

A "new world order" confined to issues of peacekeeping and peace enforcement would mean little to the billion-plus people who live in poverty, "without jobs, without basic necessities, without hope"*. It would also be unsustainable in the long run, even if the world's leading military powers were willing to devote their forces to it, which they are not. A world where the top 20 per cent of the population receives 83 per cent of the income, while the bottom 20 gets only 1.5 per cent, and the gap appears to be still widening, is hardly likely to be a peaceful world.

Yet no one imagines the social summit will be the occasion for a crude redistribution of global income. No doubt industrialised countries will yet once more pledge their best efforts to reach the target of spending 0.7 per cent of gross domestic product on development aid. But no one will believe them, at a time when even Sweden is slashing its aid budget; and few people any longer believe that if the target were reached it would make a great difference to so-called "developing countries".

Some of these countries really are developing, which means they are generating resources and providing opportunities for investment. Many are not, including at the moment almost all African countries. The degree of success does not correlate with the amount of concessionary finance a country receives. If anything, it correlates inversely.

So what will the summit discuss? All the nostra of the age, from debt relief to labour market flexibility. The latest draft of its declaration contains no less that 84 "commitments" in eight pages, with no hierarchy of priorities among them, and therefore zero credibility.

What should it discuss? The issue which Rio opened up, but certainly did not resolve: what does "social development" actually mean?

It cannot be equated with economic progress, if that means helping the south to "develop" in the way the north has developed. Apart from the fact that that would destroy many traditional cultures, reducing the richness and diversity of our species, it would clearly be ecologically unsustainable.

This planet will not support 12bn or even 8bn people living the way we in the north do now. All of us are going to have to change our way of life, our aspirations and above all our appetites.

**From the leaflet Why a Social Summit?, UN Department of Public Information*

Japan's consumer electronics groups are being forced to adapt, says **Michiyo Nakamoto**

Spark goes out of the world-beaters

Japan's consumer electronics manufacturers have achieved a position of enviable dominance in their industry, after two decades of spectacular growth.

Their ability to continue that growth, however, is now in doubt for the first time since Japanese TV sets and stereos began finding their way into homes throughout the world in the 1970s.

Companies such as Matsushita and Sony are finding that manufacturing electronics equipment is no longer as profitable as it used to be, and are moving into entertainment and information services, which appear to offer better prospects. But the Japanese consumer electronics manufacturers have yet to prove that they can build more profitable businesses in these new markets.

Japanese manufacturers' profits on consumer electronics have been squeezed from three directions: sluggish demand, particularly in the home market; falling prices; and the yen's sharp appreciation.

Nearly every Japanese household now owns a colour TV set, and 73 per cent a video cassette recorder. Demand is therefore weak for traditional money-spinners such as these. New products such as wide-screen TV are not attracting the kind of consumer interest needed to compensate.

"There are many new, exciting products, but they are not contributing to profits much because the scale of them is so small," says Mr Nobuyuki Idei, managing director of Sony.

Japan's consumer electronics market has also suffered from fierce competition and from the growing availability of cheap products made in low-cost countries, primarily in south-east Asia. "Audio products the world over have become really cheap," laments Mr Yoichi Morishita, president of Matsushita.

Price-cutting has become rife as retailers struggle for business, and cheap TVs and VCRs flood in from Taiwan and Korea. "It is no longer an industry in which it is easy to justify high prices," asserts Mr Koichiro Chiwata, industry analyst at Salomon Brothers, the US investment bank.

To add to the woes of the Japanese manufacturers, the yen's sharp appreciation has eaten into their overseas profits. The strength of the yen reduced Sony's revenues by more than Y500bn (£3.2bn) last year, according to the company. The yen's continuing appreciation this year will further depress manufacturers' revenues.

These pressures have had devastating results on the financial performance of the consumer electronics makers. Sony's operating profits dwindled to Y99.7bn for the year to March 1994, less than one-third the Y302.2bn it made in 1991. Its operating profit to sales ratio was 2.7 per cent last year against 10 per cent in 1990.

Matsushita's operating profits shrank to Y173.6bn last year, from Y472.6bn in 1991. Its operating profits were 2.6 per cent of revenues, down from 7.5 per cent in 1990.

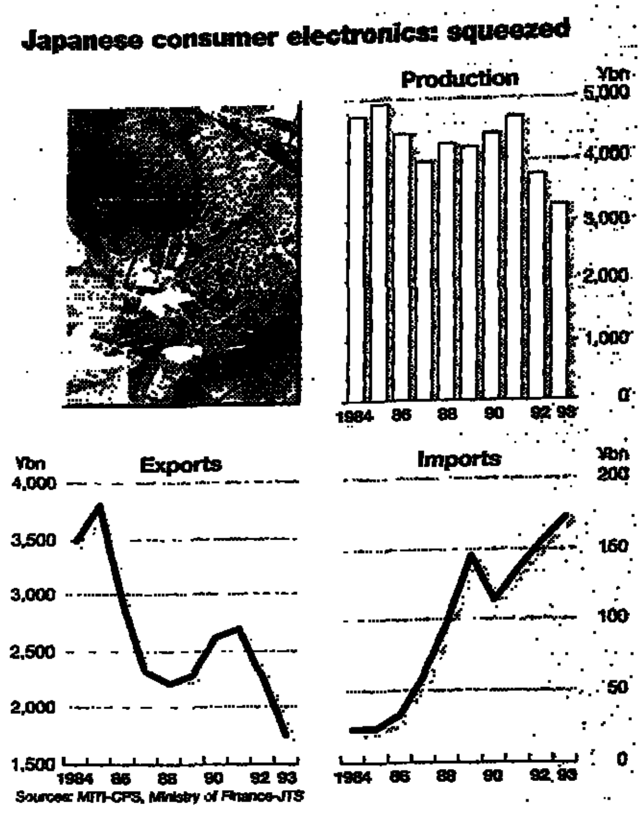
The company expects a 33 per cent rise in ordinary profits for the current year to Y85bn, helped by rationalisation measures. But the result will still be less than a third of Matsushita's 1990 profits of Y277bn.

Despite the deterioration in the consumer electronics business environment, the companies are obliged to continue pumping large sums into research and development. Both Sony and Matsushita spent about as much on R&D in the last fiscal year as they did in 1991, when operating profits were between 2¼ and three times higher.

R&D costs are likely to rise further. With manufacturing costs that are among the highest in the world, Japan can no longer rely on "people-dependent assembly" but must shift to a "technology- and knowledge-intensive production system", according to Mr Haruo Tsuji, president of consumer electronics group Sharp. "For that, R&D is crucial," he says.

Such efforts have given Japanese companies technological superiority in making parts of the new generation of multimedia electronics equipment, which will deliver a wide range of entertainment and information services to business and consumers.

Sharp dominates the market for liquid crystal display panels used in portable products, such as personal organisers. JVC is a leader in the digital compression technology that squeezes information – from sound and data to video – down the telephone line or on to digital discs, such as CDs.



Sources: MITI-CPS, Ministry of Finance-JTS

Japanese electronics makers, such as Sony, also dominate the market for recording media such as CD-Roms, the portable discs that are used to store computer data, and the drives that run the discs.

But as more and more information becomes available to consumers at home, equipment such as CD-Roms which receive the information is expected to become less important – and less profitable – than the services that feed into it. This can already be seen with products such as personal computers and cellular telephones, where the most profitable businesses are in providing the software or telephone networks, rather than making the hardware.

"It is the owners of the networks who will be the main beneficiaries of the multimedia age, followed by those who provide the services," says Sony's Mr Idei. He believes that the consumer electronics companies will gradually become such service providers over the next 20 years.

The recognition that providing multimedia services such as video-on-demand and interactive games offers a more attractive source of profits than making the hardware has led both Sony and Matsushita to invest recently in cable TV and satellite broadcasting.

Sony has invested in a Japanese satellite broadcasting company and Y600m in Tokyo's sixth TV station. It has also taken a 25 per cent stake in a Latin American cable TV operator. Matsushita has interests in 30 cable TV companies and has built up a computer data and network service in Japan.

The consumer electronics companies have also been acquiring businesses that will supply the programmes and entertainment services for these networks. Control over software, the argument goes, will ensure support for new hardware systems and the distribution systems.

Sony, for example, says that it would have been hard to sell its new MiniDisc portable audio products without being able, through its ownership of CBS records, to ensure that recordings were available to play on them.

It was this view that prompted the larger Japanese electronics companies to march into Hollywood during the 1980s and acquire famous US film studios and their valuable stock of films and television programmes. Sony bought Columbia Pictures as well as CBS Records, while Matsushita bought MCA, the entertainment group.

The move has yet to pay off: most Japanese investments in Hollywood have brought more headaches than profits.

Matsushita has recently been publicly embarrassed by demands from MCA executives to cede management control of its entertainment subsidiary, which it believes is crucial for its future in multimedia.

Sony is believed to have suffered a substantial loss last year from Columbia Pictures. The studio has remained in the doldrums this year, with few hit pictures – prompting the departure of its head. And Pioneer has had to make successive capital injections into Carolco Pictures, its US film subsidiary..

For the Japanese equipment makers, steeped in a culture of consensus-building and long-term decision-making, management of the spiralling costs, big egos and short-term thinking that characterises Hollywood studios has proved more difficult than they imagined.

Despite these setbacks, most Japanese consumer electronics companies see little choice but to hold on to their entertainment assets. "As software becomes more important, we cannot remain hardware makers alone," emphasises Mr Tsuzo Murase, executive vice-president of Matsushita.

The advent of multimedia and the stagnation in traditional manufacturing activities appear to leave Japan's consumer electronics with little choice but to move deeper into the unfamiliar world of entertainment media. As they do so, their best hope will be that the rewards they reap finally live up to the greater challenges they now face.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Guilty of dated thinking

From Miss S M McLaughlan.

Sir, Re Matthew Batstone's article, "Men on the supermarket shelf" (Management: Marketing and Advertising, October 27), it is not only marketers and advertising executives who are guilty of 1950s thinking. I note that Batstone describes an advertisement as "showing a man cleaning the kitchen floor for his wife". Is he not cleaning the floor *because it is dirty*? Unless he is a guest in his wife's house, it is presumably, his floor also, unless she is about to pop over to *his* kitchen and help out with a few chores there?

S M McLaughlan,
30 Lion Road,
Nyetimber, Sussex

Real genius

From Mr Hector Eduardo Luisi.

Sir, In his review of *Roméo et Juliette* ("A night off for the intellect", October 31), Richard Fairman states quite correctly that turning Shakespeare into opera is work for a genius, as the two indisputable successes (both of them by Verdi) show.

Surely he means three, all of them by Verdi: *Falstaff*, *Macbetto* and *Otello*.

Hector Eduardo Luisi,
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Maryland 20814,
US

Not so blameless on pensions

From Mr M A Bentley.

Sir, Mr R S Parkin (Letters, October 27) is perhaps a touch too quick in pointing the accusing finger for the personal pensions scandal solely at the life insurance industry, while placing the occupational pension plans on a blameless pedestal.

While correct in recalling the predictions made at that time by pension fund managers and consultants, he should also remember that this same group took no initiative to provide the customers (the employees) with what they really wanted. This was a simple, clear, easy to understand "pension account" – ie, such as provided by money purchase/defined contribution plans, where what is paid in by and on behalf of an individual remains identifiable and quantifiable and is not diverted to supplement early retirement pensions and executive top-up pensions of other colleagues.

If the occupational pension fraternity had taken steps in the mid-1980s to accommodate the market demand "in house" by providing alternative or supplementary defined contribution plans, most employees would never have spared a moment to consider personal pension plans.

However, by insisting on a "one size fits all/father knows best" policy of final pay plan the experts only hastened the stampede of misinformed but frustrated individuals who were thus encouraged to taste the forbidden and therefore exotic fruits of personal pensions.

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Government failing to shape opinion

From Sir Jeffery Bowman.

Sir I was delighted to hear reports that Lord Howe is forming a group to argue the case for Europe ("Howe warns on Tory EU rebels", October 17). I find nothing more depressing today than the way in which almost all the UK's difficulties are attributed to Brussels or to Brussels bureaucracy.

To me, the issue is simple. The UK is a small country which is not particularly well endowed with natural resources. So far as the future is concerned, we shall not be successful economically or influential politically unless we play a leading role in a strong Europe.

Similarly, Europe will not be strong unless its members act together and cede certain of their powers to the Union, something we have already committed ourselves to do.

Working with our fellow members of the European Union to create a strong and powerful Europe is clearly not a simple task. To me, however, contrary to what seems to be the accepted view in this country, it is not only very important but also a very stimulating, exciting and challenging prospect.

I recognise, of course, that there are many aspects of the European Union which are unsatisfactory and in substantial need of improvement. It must, for instance, become much more democratically accountable.

The UK should be striving to make changes as a committed member, not acting as if it were a country reluctantly involved in a Union of which it would really prefer not to be part.

The greatest failure of the present government in the UK is, in my view, its failure to appreciate and to communicate to all of us how important Europe is. It is not a good excuse to say that public opinion is against Europe at the moment. The job of political leaders is to shape public opinion, especially on an issue of such vital importance to our future.

Sir Jeffery Bowman,
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Charging for road use is way to improve quality of urban life

From Mr Richard Bird.

Sir, The report of the Royal Commission on Environmental Pollution is clearly one of the most important documents on the subject of the car and the environment this decade ("UK traffic growth curb urged by commission", October 27). Surprisingly, it appears to attach very little weight to charging for road use – the one political step which could have a significant effect on the quality of urban life.

Additional fuel taxation will not of itself make much impact on traffic density in the places where pollution problems are most acute – the UK's towns and cities. It is a blunt instrument which will penalise the rural driver who has little alternative to the car and will add to national freight costs.

The commission has dealt fully and forcefully with the costs to the nation of pollution-related diseases such as asthma and cancer, road-related deaths and noise. To be added to this burden are the loss of millions of hours of productive time due to congestion, the inability to plan journeys properly and the rapid deterioration of public transport systems.

Road pricing is the only way to break the spiral in a free market economy. It is the only means to force an efficient and responsive economic link between the supply of and demand for limited road space and release significant revenue for investment in public transport networks.

While the tolling of motorways by 1998 is already a commitment of this government, road pricing could start much earlier in the cities, and work outwards through the road network, eventually forming a unified road use charging system with the potential to charge for use of all types of road. The necessary technology exists; it is simple, low cost and easy to install.

There are, though, two important hurdles to overcome – both within the control of Parliament. The first is the passing of the necessary legislation to enable local authorities to charge for the use of road space. The second is the issue of hypothecation; the Treasury must allow the larger part (if not all) of the revenue derived from road use charging to be directed to improving all areas of the nation's public transport services and, where appropriate, for those decisions to be made locally.

The government will not be serving the aims of the commission and the majority of UK people unless it tackles these issues squarely and swiftly.

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FINANCIAL TIMES

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Wednesday November 2 1994

The Bank's view of prices

As Mr Eddie George pointed out last week, practitioners of monetary policy have no crystal ball to tell them when to act. What the governor of the Bank of England has instead is a medium-term target for inflation, a wide range of economic forecasts, and a judgment on how to reconcile the two.

To gauge by the Bank's latest inflation report, his institution's current opinion is that September's interest rate rise has reduced the gap between target and forecast. If interest rates were to remain unchanged, the report says that the single most likely outcome for inflation in the first half of 1996 is 2¼ per cent. This is at the top of the government's 1-2½ target range, and somewhat lower than the 3 per cent forecast in May. But there is a better than even chance of its being exceeded, at least without further increases in interest rates.

As the Bank is keen to stress, the scope for error is wide. Its own forecasting record shows that already. It has been caught out, once again, by the slow pace of inflation in the three months since its last report. Instead of rising slightly in the third quarter, as predicted, the government's target measure fell further in September, to a new low of 2 per cent.

The Bank lists five risks to the government's target for the end of the parliament. One, the growth rate of narrow money, has picked up since the last report. It grew at an annual rate of 7.3 per cent in September, compared to 6.5 per cent in August, and is still well above its 0-4 per cent monitoring range. This is cause for concern, but the slow pace of the broader credit measures presents little evidence for a take-off in consumer spending.

Of greater interest are the other potential inflation risks cited by the Bank. As the report rightly notes, rising demand – especially overseas – appears to be putting upward pressure on producer prices. Thus far, lower unit labour costs have helped companies absorb much of the increase. Furthermore, tough competition at the retail level has largely spared consumers a rise in final prices.

This means that the growth rate in producer prices, which has picked up in recent months, continues to exceed that of retail prices. But neither of the factors currently restraining the latter will necessarily last indefinitely. The same caution applies to the likely course of events in the labour market, the last – and most important – of the Bank's potential risks for future inflation.

Underlying nominal wage growth has been moderate and rather stable in the recovery thus far. As with the increased competition among retailers, this could represent a positive structural change in the economy. But similar "miracles" have been declared in the past.

The Chancellor may be convinced that things have changed. But the Bank would rather not take any chances. There is a danger that it will turn out to be crying wolf. Given past experience, that must be more sensible than assuming the wolf is slain.

Spy scapegoats

The Senate intelligence committee's denunciation yesterday of Mr James Woolsey, head of the Central Intelligence Agency, was predictable – and, predictably, a little unfair. He stands accused of insufficient punishment of those responsible for Aldrich Ames, the Soviet mole, whose eight years' spying for Moscow wreaked havoc in the CIA's network of foreign agents. The Ames case did not happen on Mr Woolsey's watch; and it is the sort of nightmare experience which has visited all intelligence agencies, including the British, over the years. But these days scapegoats are expected and demanded.

What the report does correctly highlight is a mindset in the CIA inherited from the past, which is much less relevant to the post-cold war world. It also raises reasonable questions about the role of intelligence agencies these days. A wholesale revolution in attitudes may be asking too much, but change there must be: in accountability, in methods, in targets, and in psychology.

Throughout the cold war, western intelligence agencies were focused above all on the threat from their east bloc rivals, the KGB, and its even more efficient offspring such as the East German spy network. Spying on each other was a mutually self-justifying operation which almost certainly led both sides to exaggerate the threat from the other. The track record of the CIA and the rest of the western agencies in failing to predict the collapse of the Soviet Union indicates just how much they suffered from self-delusion.

It must be said that whereas the failures of the intelligence community are depressingly obvious – the CIA's track record in Haiti is only the latest example – its successes can by definition not be trumpeted from the rooftops. Just to cite one example, the Lancaster House constitutional conference which brought peace and independence to Zimbabwe would almost certainly have been much less successful without the efficient eavesdropping of British spies.

Today's threats are far less predictable than they were in the cosy cold war years. Proliferation of nuclear, chemical and biological weapons is perhaps the greatest single threat; forecasting of highly destabilising border wars and civil wars is another big task for the intelligence fraternity. The pursuit of international terrorists and drug traffickers is a role which could well be shared with more conventional police agencies.

These are all tasks which certainly require a continuing intelligence capacity. But the relatively dispersed nature of the threats means that agencies like the CIA can and should become much more accountable in their work. Much of it is after all based on thorough and intelligent analysis of available information, not bribing and bugging. And the more such agencies learn a psychology of openness and accountability, the less opportunity there will be for the likes of Aldrich Ames to betray them.

Digital doubts

So much is talked about digital television that the creation of a new channel is practically warranted just to carry the verbiage. Yet there are reasons to be sceptical. Politicians have been particularly guilty of talking up the prospects. But in their desire to predict the future of one of the world's fastest-changing industries from a single piece of technology, they are overlooking, not for the first time, that the technology is still in search of a market.

The debate is heating up because the technology to compress a television signal digitally has only just begun to work. In increasing greatly the amount of information which can be delivered, it enables television operators either to send out 10 times as many channels or to improve the quality of the picture, through high-definition or wide-screen pictures, for example.

But there are snags: most importantly, the need for expensive new equipment at some points along the line between the studio and the viewer's home. Such additional costs are likely to be highest for digital terrestrial television, which would need new equipment at almost every stage along that line: studios, transmitters and, most problematically, further black boxes on top of viewers' sets. One slice of those costs – the need for new transmitters – would be removed if the signal were distributed by satellite direct to viewers' homes. The costs would be lowest if the signal were sent by satellite to cable television systems for onward distribution: cable operators would need new reception equipment, but not viewers.

Of those three options, the two which depend on satellite distribution are worth taking seriously at present. Yesterday Canal Plus, the French pay-TV channel, said it planned to be the first in Europe to deliver digital satellite services to homes. It remains to be seen, however, whether demand for enhanced services will emerge – either for dozens more channels or for better quality pictures – and how much viewers will be prepared to pay for them.

The option which is least worth taking seriously is the one the UK government has most enthusiastically embraced: digital terrestrial television. This summer, the government said that it would reserve for future digital services one of the two frequencies it had previously set aside for a fifth terrestrial television channel. The result is to reduce the proportion of the country which Channel 5 will cover from about 70 per cent to just over 52 per cent, although the range may yet be boosted if other frequencies become available.

Yesterday the Independent Television Commission advertised the Channel 5 licence for a second time, although its coverage and commercial viability remain uncertain. What is clear, however, is that the full potential of a new service which could be immediately available to viewers has been jeopardised for a technology which may remain unwanted.

Arbitrary justice in the City

Recent fraud prosecution failures have advanced the case for more powers for financial regulators, says **John Plender**

When it emerged last week that former boxer George Walker had been cleared of masterminding a £19m fraud at Brent Walker, the news was greeted by financial commentators much as cricket correspondents treat another defeat for England in an off-season. There was a ritual groan to the effect that the UK's Serious Fraud Office (SFO) had done it again: another failed prosecution at a cost of millions to the taxpayer.

The response is understandable, whatever the merits of the verdict in the Brent Walker case, if only because of the cumulative evidence that justice in white-collar crime trials is so arbitrary.

At one extreme, financial services salesman Roger Levitt inflicted serious losses on scores of investors, for which he was required to do a mere 180 hours of community service after pleading guilty to fraud in a complex plea bargain. At the other, Ernest Saunders made plenty of money for investors and no fortune for himself in the Guinness takeover of Distillers, yet went to jail.

There is nonetheless a risk that the SFO, for all its blunders, is picking up an undue proportion of the flak. To judge a prosecuting authority by the number of people sent down is a crude yardstick. Policemen are not rewarded on the basis of successful convictions, or the effectiveness of a regiment judged by the number of people it kills.

Moreover, the high burden of proof required in criminal cases, the capricious judgments of some juries and the loopy behaviour of certain judges are features of the criminal justice system as a whole, not of fraud trials in particular.

The complexity of fraud raises questions about relying on financially unqualified jurors to reach verdicts. But the frequent failure of juries to convict in fraud trials might also reflect a lack of consensus about the use of criminal penalties where there are either no obvious victims, or where the losses are hard to identify.

There is, in fact, a growing tide of opinion among financial regulators that the line between criminal and civil penalties has been wrongly drawn; and that a beefed-up regulatory apparatus, applying a less demanding standard of proof, could more effectively tackle some of the work now done by the courts. What criteria should determine the division of labour?

Some financial fraud constitutes obvious robbery. In the Barlow Clowes case, for example, Mr Peter Clowes took money from investors and used it to finance personal expenditure, including the purchase of a yacht. He was rightly convicted. In a country where more than 40 per cent of people found guilty of thefts of under £200 go to prison, reducing the sanction in such cases would be an unacceptable instance of double standards.

In contrast, nobody in the Brent Walker case was accused of having a hand directly in the till. The nature of the alleged crime was that the company inflated its profits by incestuously lending money to third parties to enable them to buy the products of its film division.

Between 1984 and 1987, the manipulation of the figures caused Brent Walker's shares to rise artificially high. This allowed the company vastly to enlarge its capital by issuing fresh equity and to make acquisitions on the back of misleading information. Investors paid too much for the shares, while bankers were deceived on the creditworthiness of the company and its director-shareholders.

Yet by the time Brent Walker ran into trouble in 1990, it was a larger, very different group from what it had been in 1987, the last year misinformation was propagated. The financial crisis at the company was due less to falsification of the film division's profits than to excessive borrowing on subsequent deals.

As a result it is impossible to attribute specific losses to the original act of falsification. Yet there was substantial damage, in that many shareholders and creditors would have lost less if the lower level of real profitability in the mid-1980s had been disclosed. Bankers and investors would not have advanced money on the same scale; so Brent Walker would have gone into its financial crisis with a smaller share capital, owing less.

There are a number of misdemeanours here, as so often in fraud trials. Banks and the investors who stayed in the shares were deceitfully coaxed – in the jury's view, not by Mr Walker – into a loss-making course of action.

While nobody had a hand in the till, that does not mean that directors reaped no personal benefit. Directors' pay packages and pensions usually bear some relation to corporate size. If manipulation facilitates growth by acquisition, the directors may be substantial financial beneficiaries.

At the same time profits manipulation led to market rigging, an activity which can damage the City's international reputation and drive business to other financial centres. Such issues about the integrity of markets might be thought to be a matter for the regulators rather than the courts. Note, though, that in the Blue Arrow case, where merchant bankers failed to reveal a rights issue had flopped, convictions were reached, before being quashed on appeal.

Finally there is a public policy issue on the economic consequences of takeover activity, which arose with the Guinness takeover of Distillers as well as at Brent Walker. If large companies change hands on the basis of false information, a misallocation of economic resources could result. Most people would agree that this is anti-social behaviour. They might not all agree that it merits a jail sentence.

It is tempting to generalise about criteria for criminal as against regulatory sanctions on the basis of a combination of incurred losses and an intent to deceive. There was much sympathy with Mr Justice Clark last year, for example, when he said in an SFO case against two former stockbrokers at T.C. Coombs, who were acquitted: "I cannot help thinking that this sort of enquiry in a case where there has been no financial loss to any individual would be far better left to the regulatory jurisdiction of the appropriate bodies rather than a full-blown criminal trial."

Yet in practice so many cases of corporate and financial skulduggery involve grey areas that comprehensive generalisation is impossible.

Hence the merit of a pragmatic approach proposed by the chairman of the Securities and Investments Board (SIB), Mr Andrew Large. Mr Large believes that in cases with a potentially criminal dimension, regulators and prosecutors should co-operate at an early stage to establish how the public interest would be best served. If the high burden of proof required by the courts is likely result in failure to secure a conviction, then regulatory sanctions might be appropriate.

One precedent is the US approach on insider dealing. There, it is both a criminal offence and an administrative offence, for which the Securities and Exchange Commission (SEC) may secure penalties of three times the profit made. While the most serious cases are dealt with by criminal prosecutors, there are many cases where the SEC confiscates the profits and imposes such financial penalties.

"The knowledge that the criminal route is available is a deterrent," says Mr Large of the US approach, "while the availability of civil settlement provides a quick – and public – disposal in cases where prosecution is not essential."

The SIB has already explored the opportunities for greater co-operation with the prosecutors. It has reached agreement in principle with the SFO about the sorts of cases that might be better handled by the civil regulators. But it lacks powers under the Financial Services Act to investigate insider dealing and market manipulation. And, like the Stock Exchange, it lacks a statutory power to fine.

In the light of the SFO's unhappy experience in fraud trials and the perceived failure to pursue insider dealers, there are clear attractions in an enlarged role for the regulators. The risk is that financially expert British watchdogs may not be as tough on financial misdemeanours as those in the SEC.

The trade-off is between financial expertise and the independence of the jury. It follows that if the government does decide to tilt the balance in the system towards regulatory sanctions, a much greater degree of transparency will be required if public concern about potential coziness between regulators and their peers is to be avoided.

Can the debate on minimum labour standards be moved beyond caricature, asks **David Goodhart**

For love of labour

Malaysia is "a country of cheap and docile labour which has banished free trade unions", Mr Lane Kirkland, one of the most powerful trade unionists in the western world, recently told the UK Trades Union Congress.

The views of Mr Kirkland, head of the US union umbrella, the AFL-CIO, are typical of western union leaders. The reason for such attacks is not hard to find. Dr Mahathir Mohamad, the Malaysian prime minister, is one of the most outspoken critics of the idea of worldwide minimum labour standards. Supporters of minimum standards – especially among the unions – therefore assume that Malaysia is teeming with sweat shops and child labour.

There *are* poor working conditions in some sectors of the Malaysian economy, particularly among immigrant plantation workers. There are also some restrictions on trade unions. But in most other respects, Mr Kirkland's views are being left behind by events, as Malaysia races to catch up with Asian tigers such as Korea and Taiwan.

"When workers come here for an interview, it is not us interviewing them, it is them interviewing us about holidays and fringe benefits," says Mr Neoh Soon Bin of the Soon Soon flour mill in Penang, northwestern Malaysia.

With unemployment running at less than 3 per cent and annual growth in gross domestic product at more than 8 per cent, workers can afford to be choosy, even if, in sectors such as electronics, they are not allowed to join independent unions. The result is that annual labour turnover is soaring – up to 45 per cent in some areas – and average wages are rising at nearly 7 per cent a year.

According to Mr Thian Hoo Tan, who runs the advanced disc-drive plant of US electronics company Komag in Penang, his real wage costs are rising at more than 10 per cent a year and will converge with US wage rates in about 10 years.

These wage increases are not won at the expense of decent employment standards. Malaysian workers have some job security and the government regularly encourages employers to adopt high standards of health and safety.

And even trade unionism is "semi-free", according to Mr G. Rajasekaran, secretary general of the Malaysian Trades Union Congress. Throughout much of the manufacturing sector they operate with greater freedom than in most other countries in the region.

Malasia's high wages are already causing many assembly operations to relocate to China or Thailand, says Mr Tan. The government wants to emulate neighbouring Singapore in shifting to high value-added production. With its GDP per capita nearly US$8,000 (using purchasing power parity), just above Greece, the poorest European Union country, it can no longer compete with the new low-wage Asian competition.

Thus, Malaysia is now too advanced to be affected by most of the minimum labour standards that union leaders such as Mr Kirkland would like to impose in return for access to western markets.

"Malaysia would scarcely be affected by what is proposed. If the plan really was for a global minimum wage – as Mahathir claims – we would be the first to oppose it," says Mr Abdul Razak Hamid, head of the Malaysian textile union in Penang.

So why does Dr Mahathir persist in his attacks on the west and on Malaysia's own trade union leaders?

Accusations of western hypocrisy on labour issues have helped to raise his standing in the developing world. He is also worried that the west will try to impose what he believes to be an inappropriate form of trade unionism on countries such as Malaysia through minimum labour standards.

Yet beneath the rhetoric, some flexibility is apparent. Mr Anthony Yeo, the senior official at the Ministry of Human Resources who represents Malaysia at International Labour Organisation meetings, opposes any link between trade and labour standards. But he adds that the ILO should be given more authority to stamp out real abuses, such as child and slave labour. He also says that, while restricted company unions are currently the most appropriate for the Malaysian electronics sector, "we might at some future stage adopt a different approach".

If Malaysia is to make the transition to a high value-added economy, it will have to relax the paternalism that pervades the country. Modern production methods require an educated workforce capable of making independent decisions.

"That also means trusting citizens to form free trade unions," says Mr Steve Pursey of the International Confederation of Free Trade Unions based in Brussels

Mr Pursey – reflecting a more sophisticated trade union view than Mr Kirkland's – believes that developing countries such as Malaysia, which have advanced beyond the first stage of industrialisation, have most to gain from minimum standards legislation. It will protect them, he argues, from being undercut by the cheapest labour economies before they are ready to switch to higher value-added production.

From their different perspectives, Mr Pursey and Mr Yeo suggest that the debate about minimum standards is at last moving beyond the realm of caricature.

OBSERVER

Brotherly affectation

■ It must be getting close to an election – president Carlos Menem has started talking about the Falkland Islands again. If Argentina were to gain sovereignty from the UK, he might offer cash to any of the 2,100 Falklanders who didn't want to stay.

"It's one of many issues under consideration ... don't forget that Alaska was bought from Russia," says Menem. It was indeed, in 1867, for $7.2m. Given there's strong evidence of black gold reserves round the islands, what price has he in mind?

Meanwhile, his brother Eduardo, president of the Argentine senate, has popped across to the UK. Today he watches the Duke of Edinburgh unveil a monument to Argentine general José de San Martín, liberator of Argentina, Chile and Peru from the Spanish yoke, who also lived in London.

Eduardo – the most senior Argentine official to visit the UK since the resumption of diplomatic relations in 1990 – is also getting lunch from Douglas Hurd. His schedule includes meetings with other UK government ministers – those who are left, anyway – but oddly enough, not John Major.

Maybe some deal could be done whereby the islanders are temporarily housed in the Ritz in Paris, in exchange for which the Menems negotiate a truce between The Guardian newspaper and the Tories?

After all, Buenos Aires also has its Harrods...

Flying high

■ Dutch racing pigeons may be tested for drugs to foil cheats who artificially boost their birds' aerial prowess, according to a report in a Dutch newspaper.

Drugs can slow the rate at which young pigeons lose their feathers during moulting and so increase flying speed. The sport's ruling body, the Netherlands' Pigeon Post Organisation, is so concerned it is sending its chairman to a Belgian research laboratory – to investigate methods of dope testing winning birds, rather than to be tested himself.

Numerology

■ Peter Wood, the insurance entrepreneur who pioneered direct telephone selling of motor policies in the UK, is not the sort of person you'd think had trouble remembering figures.

And yet he says he can't remember Direct Line's telephone numbers. Moreover, at yesterday's launch of Privilege Insurance – a joint venture with the Royal Bank of Scotland for higher risk motorists – he said he hadn't "actually thought about" what his salary might be as its non-executive chairman.

Forgetfulness is perhaps understandable in his case. After all, as chief executive of Direct Line he received £24m last November to abandon a pay bonus scheme that had earned him £18.2m over the year.

'I resign ... No, I don't ... Yes, I do ... That's settled then, I'm staying'

Up front

■ So BT, Britain's biggest company, is promising a series of classical concerts, galas and a special issue of new phone cards to mark its 10th anniversary as a public company.

BT chairman Sir Iain Vallance says that the "unwieldy telephonic dinosaur that came blinking into the light 10 years ago has evolved into a streamlined world class player ... we've got a lot to celebrate.

"For most people the biggest change is summed up in our prices – in real terms they have halved over the decade," says Sir Iain.

But a few cynics will be more interested in what has happened to the chairman's salary.

It has risen nearly eightfold to £663,000.

Tooth decay

■ The chairman of Amstrad is not known for honeyed language. But Alan Sugar's statement to the stock exchange yesterday, announcing the sacking of Ossie Ardiles, Tottenham Hotspur's manager – Sugar is also chairman of the football club – laid it on with a trowel.

The sacking was "one of the most difficult decisions I have ever had to make in my life", said Sugar. Praising Ardiles rather than burying him, Sugar added: "The difficulty has been compounded by the fact that he is such a delightful person and a good man ... he will always be loved and welcome at our club."

Can we stand this Mr Nice Guy act? Those with memories will recall Sugar's rather different view of Ardiles last year.

Then the Argentine said that Terry Venables – the former Spurs chief executive and manager who was contesting an unfair dismissal claim against Sugar – was welcome at the club. Sugar was a little less effusive: "Ossie is in cloud-cuckoo land at the moment. Maybe he is getting carried away with the results."

Now he's just getting carted off.

Envious shade

■ One Mikhail Gorbachev was star speaker at a luxurious Parisian hotel last night, speaking on successful environmental policies by national governments, in his capacity as president of Green Cross International, which aims to "resolve environment problems".

Can it have been the same Gorbachev, ex-president of the former Soviet Union, currently in the spotlight for creating environmental problems?

The very same...

Mechanical

■ The sight of George Carman, arguably Britain's most famous barrister, being trotted out to advise Harrods' boss Mohamed Fayed, has prompted the following joke: if "karman" is Russian for pocket, then George Carman must be English for deep pocket.

For some reason this makes lawyers laugh.

FINANCIAL TIMES

Wednesday November 2 1994

Agency chief faulted over disciplinary action

Senators criticise CIA for handling of spy case

By George Graham in Washington

US senators demanded fundamental changes in the culture of the Central Intelligence Agency yesterday.

They castigated its director for his response to the discovery of a Russian spy within the agency's counterintelligence division this year.

The Senate intelligence committee said it found "a bureaucracy which was excessively tolerant of serious personal and professional misconduct among its employees, where security was lax and ineffective".

The committee also criticised the disciplinary action taken by Mr James Woolsey, the CIA director, after the unmasking as a spy of Mr Aldrich Ames.

In a detailed report, the committee said "gross negligence" had allowed Mr Ames to remain undiscovered for almost nine years. He was arrested in February and jailed for life after admitting spying for the Soviet Union and then Russia.

The findings come at a difficult time for the CIA, as the justification for maintaining a $27bn annual intelligence budget after the end of the cold war comes under increasing pressure.

Although most of the money goes on the electronic surveillance conducted by the National Security Agency, it is the CIA that has been the target of most political attacks.

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Apart from its handling of the Ames case, the agency has been challenged on questionable judgments in countries such as Haiti, where it repeatedly undermined President Jean-Bertrand Aristide and kept supporters of the military junta on its payroll.

The committee said it had found "a system and a culture unwilling and unable – particularly in the early years of Ames's betrayal – to face, assess and investigate the catastrophic blow Ames had dealt to the core of its operations".

As a result, more than 100 intelligence operations were compromised and 10 Soviet sources of the CIA and the Federal Bureau of Investigation were executed.

In dealing with the case, the report says, Mr Woolsey had only issued letters of reprimand to seven retired and four current CIA employees. None of the employees was fired, demoted, suspended or even reassigned.

The committee sharply criticised this disciplinary action as falling "far short of the level of accountability expected by the committee". One committee member, Senator Howard Metzenbaum, urged President Bill Clinton to dismiss Mr Woolsey.

US factory activity fuels fears of inflation

By George Graham in Washington

US manufacturing activity accelerated again in October, according to a survey of industry purchasing managers, arousing new fears in financial markets that inflation might be building up steam.

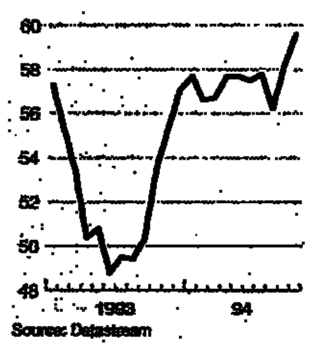
The National Association of Purchasing Managers said its monthly index rose to 59.7 per cent in October from 58.2 per cent in September, signalling a pick-up in business activity after a slower third quarter.

Mr Ralph Kauffman, chairman of the NAPM's survey committee, said that if the index stayed at its October level it would probably indicate a growth rate of around 5.4 per cent, far in excess of the 3.4 per cent annual rate reported last week for the third quarter.

Bond and stock markets both fell in response to the survey, as analysts suggested the evidence of renewed strength in the manufacturing sector might prompt the Federal Reserve to raise interest rates at its November 15 meeting by more than the half percentage point anticipated.

The yields on the 30-year US Treasury bond pushed above 8.0 per cent again, and by noon the Dow Jones Industrial Average had fallen 31.63 to 3,876.49.

US Purchasing Managers' Index



Source: Datastream

With the gap between the Federal funds rate and the yield on two-year Treasury notes now more than 2 full percentage points, the markets appear to have built in a Fed increase of at least ¾ percentage point.

Adding to the financial markets' concerns were signs that manufacturers might be feeling pressure to raise prices.

The association's index of prices paid for materials rose to 79.9 in October, a six-year high, from 77.1 in September, with more than 70 per cent of purchasing executives saying they had paid more for raw materials.

Mr Kauffman said, however, that competitive pressures were still preventing many manufacturers from passing on price increases to their own customers.

International bonds, Page 19
Wall Street, second section

Bank of England points to need for interest rate rise

By Philip Coggan and Motoko Rich in London

UK interest rates will probably need to rise over the coming months to keep inflation on target, the Bank of England implied in its quarterly inflation report yesterday.

The UK's central bank said the inflation outlook had improved since its last report. Its forecast of underlying inflation (which excludes mortgage interest payments) in mid-1996 has been reduced to 2.5 per cent, from around 3 per cent in its last forecast.

The report will set the agenda for today's monthly monetary meeting between Mr Eddie George, the governor of the Bank of England, and Mr Kenneth Clarke, the chancellor of the exchequer, which will discuss interest rate policy. The two agreed to an increase in base rates from 5.25 to 5.75 per cent after their September 7 meeting.

Financial markets appeared to be buoyed yesterday by the view that the report made an imminent rise in rates less likely. The Institute of Directors, a leading employers' organisation, said it saw no evidence of overheating in the economy to justify a further increase in rates.

The government has a target range for inflation of 1-4 per cent, but the former chancellor, Mr Norman Lamont, added the aim of reaching the lower half of the government's target range by the end of this parliament. The Bank now regards the lower half of the band as its effective target.

While the Bank's forecast puts inflation just within the lower half of the range, it warned that its central projection "is only the single most likely outcome. The risk of inflation being higher than the central projection is greater than the probability of it being lower."

The Bank is particularly concerned about the recent pick-up in producer price inflation, which has been fuelled by increases in raw materials prices. "It is not clear how far price pressures will be passed down the production and retail chain," the report said. Higher producer prices could eventually feed through into higher retail prices.

The Bank also said that the rapid growth of M0, the narrow measure of the money supply, was "cause for concern" and said that wage rises might increase faster than currently expected.

Given the balance of the risks, and the lags involved between changes in interest rates and their effects on the economy, it is likely that an increase in rates will be needed during the next few months to keep inflation between 1 and 2.5 per cent.

Gilts rose sharply after the report was issued, to end the day around half a point higher.

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See Lex

Astra and Merck in joint venture

Continued from Page 1

chief executive of Astra. The purchase price equals US sales of Astra drugs in the year since the level was reached, he added.

The new company, based in Wayne, Pennsylvania, has 900 employees and 95 per cent of sales come from Prilosec.

Mr Wayne Yetter, Astra Merck's president and chief executive, said the company aimed to develop new drugs before the Prilosec's patent runs out in 2001. He added that Prilosec sales had not been hit by the US patent expiry of another ulcer drug, Tagamet, in April, which was followed by the launch of a cheaper form of the drug.

Prilosec acts by stopping the creation of the acid which causes ulcers, unlike Tagamet or another rival, *Zantac*, which suppress the secretion of the acid, Astra Merck said. Prilosec is used in acute ulcer cases, and prescription volumes have remained constant, the company added.

Dr Mogren said the goodwill associated with the deal would be written off in Astra's accounts over a period of 20 years, and that over the next two years the Swedish company's share of profits from the joint venture would roughly equal the royalties it received from Merck. He said the profits would grow as the joint venture developed.

Astra will continue to operate through its US subsidiary, which handles a number of anti-allergy and hospital products.

THE LEX COLUMN

Banking on low prices

UK base rates will rise. Nothing in yesterday's inflation report from the Bank of England will change that. But the reduction in the Bank's medium-term inflation forecast to 2.5 per cent means that a rise in rates is not pressing. Nor may the eventual increase need to be as great as the markets fear.

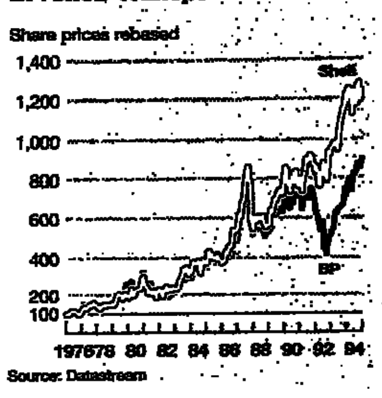
The report could still provide Mr Eddie George, the Bank governor, with an excuse to push for an immediate rate increase in his meeting today with Mr Kenneth Clarke, the chancellor. It plausibly argues that the probability of overshooting the 2.5 per cent forecast is greater than that of undershooting. The main risk is that producer price inflation will feed through to retail prices. Moreover, the Bank clearly feels uncomfortable with a projection right at the top of its 1 per cent to 2.5 per cent target range. Even so, the betting must be that Bank will wait for further evidence before urging action.

Central to the Bank's analysis is the assumption that September's increase in base rates will cut inflation by nearly half a percentage point. The reasoning is that consumers are still so heavily weighed down by debt that interest rate rises will have a bigger effect on demand than in previous cycles. If the Bank is correct, inflation could fall to the middle of its target range without any need for base rates at the peak to rise beyond 7 per cent.

All this is encouraging for markets. Though US bonds may continue to be knocked by fears over US inflation, the better inflation outlook in the UK should lead to a further narrowing in yield gap between gilts and Treasuries. Equities would then be carried higher too.

FT-SE Index: 3096.3 (-1.1)

BP/Shell Transport



Source: Datastream

British Petroleum

BP's debt mountain, which previously threatened to engulf the group, is firmly under control. Disposals and strong cash flow have reduced debt by $6bn since 1992, helping to cut the interest burden. On the trading front, the outlook appears promising with profits growth driven by a recovery in petrochemicals prices and continued cost cutting.

BP is now in the happier position of deciding how much of its cash flow should be invested and how much distributed to shareholders. After its previous traumas, the management is right to be cautious. But earnings can be advanced only so far by reducing costs and there is a danger the group could miss opportunities through under-investment. With BP's return on capital at 12 per cent – better than all but a couple of its US rivals – the company can afford to increase capital spending. But BP's exploration effort is proving highly productive, so it may not need to invest a great deal more to increase its global market share.

The stock still has ground to recover after its collapse in 1991 and 1992. As the group's rehabilitation continues, it should continue to outperform its oil peers. BP remains at a discount of up to 15 per cent against US groups on both a cash flow and price earnings basis. True, the yield is still low. But if the company can deliver on the market's expectations of 20 per cent dividend growth, that will no longer appear so great a drawback.

Hongkong Telecom

The 15 per cent growth in Hongkong Telecom's half-year earnings was in line with expectations. But the figures were a disappointment nonetheless. The reason was the pedestrian 11 per cent increase in turnover – pedestrian, that is, for a company valued at a substantial premium to the Hong Kong market. But for a reduced tax rate and a lower management fee paid to Cable & Wireless, Hongkong Telecom's parent, earnings growth would have been more modest.

Worryingly, the main culprit behind the sluggish sales picture was China. The country generates about a third of the group's international revenues, and enormous excitement among investors. In the first half, growth in call traffic with China slowed to 21 per cent compared with the 30 per cent of recent years. The unexpected slowdown is unlikely to be temporary. It highlights the risk and volatility associated with China, rather than just the opportunities. That Chinese growth rates have slipped does not obscure the enormous potential of the Chinese market, which Hongkong Telecom is well placed to exploit. But yesterday's figures will rightly serve to puncture the somewhat unreflecting euphoria which followed last month's announcement of a planned $300m direct investment in the country.

Hongkong Telecom is under pressure in other areas of its international business and will shortly face intensified competition in its domestic market as well. The company may be well-placed and well-managed but the shares look expensive.

Thames Water

The City's immediate response to Thames Water's higher than expected interim dividend was to mark up the whole sector. This was based on the assumption that, unless Thames' 11 per cent increase attracted too much political flak, the rest of the herd would follow its lead. One snag with this argument is that Thames is partly catching up after last year's unusually low rise to reflect the poor performance of its non-core businesses. The increase over two years was only 18 per cent.

More importantly, the Thames increase is entirely backward-looking. The company stressed that it should be seen in the context of the very profitable final year of the old regulatory regime and not as a pointer to prospects in the much tougher five years to come.

The new price caps will mean very modest revenue growth after inflation. Though Thames can cut operating costs further, a steadily rising tax rate means it will be hard to raise earnings much faster than inflation. Significant real dividend increases will therefore have to come from reducing earnings cover. Thames could increase its payout by nearly half and still cover it twice. But the company is unlikely to go that far. Annual real growth of 4 per cent over the next five years is about as much as can be expected. Given the better dividend prospects elsewhere and the political risks to water companies if Labour wins the next election, a 30 per cent yield premium to the market is not over-generous.

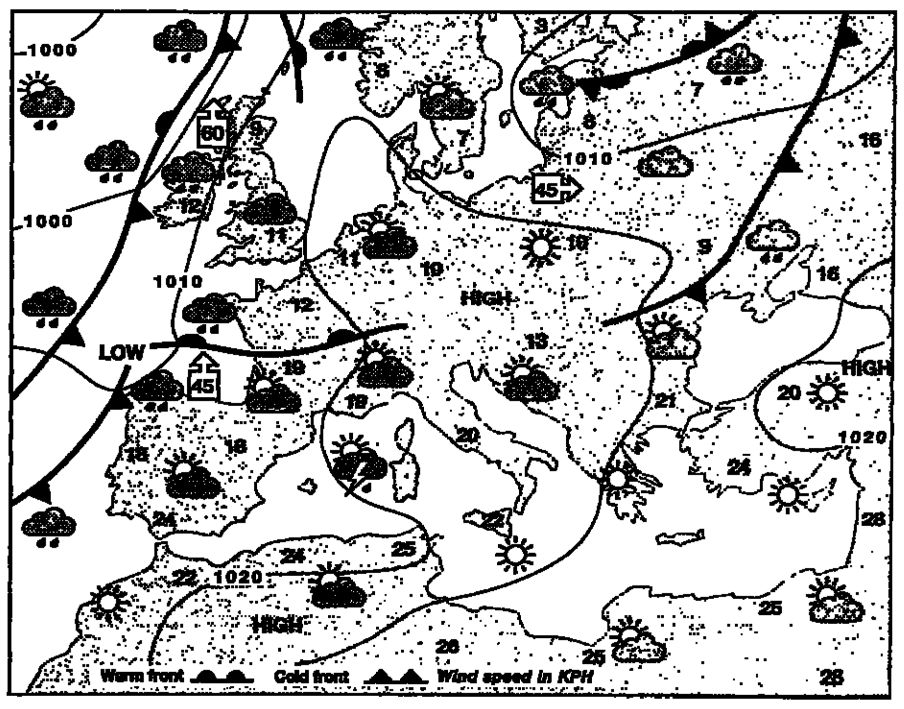
FT WEATHER GUIDE

Europe today

Extensive high pressure will keep most of central Europe and southern Scandinavia dry and settled. Most areas will have sunny periods but it will stay rather cool in Scandinavia, Germany and the Benelux. An inactive cold front will produce only cloud across the Alps and the northern Balkans. A frontal zone, associated with a complex low pressure system over the Atlantic will bring cloud and rain to western parts of the UK, France and Portugal. These areas will also become rather windy. Thunder showers will occur later today in the western Mediterranean. Elsewhere in southern Europe, it will remain dry and rather sunny with afternoon temperatures between 20C-25C.

Five-day forecast

Cool and unstable air will be drawn towards south-west Europe producing frequent showers or rain across Spain, Portugal, France and the western Mediterranean. Southern France may have some flooding. Most of central, northern and south-east Europe will remain dry with sunny periods. and rising temperatures.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	33
Accra	cloudy	30
Algiers	fair	24
Amsterdam	fair	11
Athens	sun	24
Atlanta	sun	22
B. Aires	sun	24
B.ham	rain	10
Bangkok	fair	33
Barcelona	shower	19
Beijing	fair	16
Belfast	rain	11
Belgrade	fair	16
Berlin	sun	11
Bermuda	shower	28
Bogota	shower	21
Bombay	cloudy	34
Brussels	fair	11
Budapest	fair	13
C.hagen	fair	10
Cairo	shower	27
Cape Town	sun	30
Caracas	fair	31
Cardiff	rain	12
Casablanca	sun	21
Chicago	cloudy	18
Cologne	fair	12
Dakar	sun	29
Dallas	thund	26
Delhi	sun	30
Dubai	sun	32
Dublin	rain	12
Dubrovnik	fair	21
Edinburgh	cloudy	9
Faro	fair	21
Frankfurt	sun	12
Geneva	fair	15
Gibraltar	fair	21
Glasgow	rain	10
Hamburg	fair	11
Helsinki	sleet	2
Hong Kong	fair	28
Honolulu	fair	31
Istanbul	fair	21
Jakarta	fair	33
Jersey	cloudy	12
Karachi	sun	36
Kuwait	sun	33
L. Angeles	fair	20
Las Palmas	fair	25
Lima	cloudy	22
Lisbon	shower	19
London	fair	12
Lux.bourg	fair	10
Lyon	fair	16
Madeira	shower	23
Madrid	fair	18
Majorca	thund	22
Malta	shower	23
Manchester	cloudy	10
Manila	cloudy	31
Melbourne	rain	17
Mexico City	fair	23
Miami	sun	28
Milan	cloudy	14
Montreal	rain	9
Moscow	rain	6
Munich	fair	12
Nairobi	fair	26
Naples	fair	21
Nassau	sun	30
New York	shower	15
Nice	fair	19
Nicosia	fair	28
Oslo	fair	8
Paris	fair	12
Perth	fair	23
Prague	fair	10
Rangoon	fair	34
Reykjavik	snow	1
Rio	shower	25
Rome	fair	21
S. Frsco	sun	17
Seoul	cloudy	16
Singapore	thund	32
Stockholm	cloudy	5
Strasbourg	hazy	13
Sydney	shower	19
Tangier	fair	21
Tel Aviv	thund	29
Tokyo	fair	20
Toronto	fair	12
Vancouver	cloudy	8
Venice	fair	15
Vienna	cloudy	13
Warsaw	shower	10
Washington	sun	19
Wellington	fair	16
Winnipeg	cloudy	6
Zurich	cloudy	12

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COMPANIES & MARKETS
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IN BRIEF

HK Telecom rise meets expectations

Hong Kong Telecom, which is 57.5 per cent owned by Cable & Wireless of the UK, met market expectations with a 15 per cent rise in net profits. The *deceleration in international traffic growth was* largely brought about by a slowdown in China traffic, which up until this year had been growing at a rate of more than 30 per cent annually. Page 18

TWA cuts net loss to $8m in term
Trans World Airlines, the US *airline struggling to* avert a financial crisis, yesterday reported that cost-cutting had enabled it to reduce net losses in its third quarter to $8m from $61.7m. However, Mr Robert Peiser, chief financial officer, said it was still "crucial" that the company should win approval for the sweeping financial restructuring plan that it put to creditors last month. Page 17

Cars drive aluminium demand
Growth in demand for aluminium to the year 2000 will be substantially *faster than in the past seven* years, driven particularly by consumption in Asia and by the automotive industry, according Alcan, the aluminium producer. Page 24

Sumitomo Bank moves into securities
Sumitomo Bank, the world's largest lender, will join the country's other leading banks later this week in establishing a securities brokerage. Page 24

Laidlaw in talks about Union Pacific unit
Laidlaw, the Ontario-based waste services and transportation group, expects to become North America's biggest hazardous waste operator with a proposed deal to acquire a subsidiary of Union Pacific, the US railroad *conglomerate*. Page 17

Aga pleases market
Shares in Aga jumped 8 per cent yesterday after the Swedish *industrial* gas group announced a stronger-than-expected 23 per cent increase in profits in the first nine months. Page 16

Sales growth helps turnround at DSM
Strong demand fuelled by European economic recovery enabled DSM, the Dutch chemicals group, to stage a turnround to a net profit of Fl 114m ($67.4m) in the third quarter. Page 16

VSEI joins Devonport bidding
VSEL, the UK submarine *maker being fought over* by GEC and BAe, has joined the DML consortium bidding for Devonport dockyard, which is due to be privatised next year. The enlarged consortium's initial bid for Devonport was submitted to the Ministry of Defence at noon on Monday. Page 20

Powerscreen rises 12%
Powerscreen International, the UK manufacturer of screening and stone crushing equipment, reported a *12 per cent rise in pre-tax profits.* Page 22

Scotia has high expectations
Scotia Holdings yesterday became the latest UK biotechnology company to hail the potential of a new treatment developed using funds from its recent flotation. Page 22

Allied Domecq to lift stake
Allied Domecq, the UK drinks group, yesterday announced it would lift its stake in Spain Alecq, the *owner of the Domecq group, from 73 to almost 100* per cent. Page 22

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Hochtief	939	+	17
Holzmann	837	+	14
Lahmeyer	859	+	15
Falls			
Asko	790	−	20
Asko Pf.	700	−	35
Porsche	636	−	6
NEW YORK ($)			
Rises			
Cigna	67½	+	1⅝
[illegible]	[illegible]		
Falls			
[illegible]	[illegible]	−	[illegible]
Caterpillar	58⅜	−	1
Intl Paper	73⅛	−	1⅛
Mobil	83⅝	−	1½
Ryl Dtch Pt.	114⅝	−	1⅝
TOKYO (Yen)			
Rises			
Jap Syn Rub	688	+	27
Zexel Corp	676	+	27
Falls			
Calsonic	771	−	14
Hino Mtrs	834	−	21
[illegible]	[illegible]	−	22
Toda Corp	[illegible]	−	17

Paris closed. New York prices at 12.30pm.

LONDON (Pence)			
Rises			
[illegible]	[illegible]	+	15
[illegible]	[illegible]	+	[illegible]
[illegible]	[illegible]	+	12
[illegible]	[illegible]	+	7
[illegible]	[illegible]	+	5
[illegible]	[illegible]	+	6
[illegible]	[illegible]	+	[illegible]
[illegible]	[illegible]	+	35
[illegible]	[illegible]	+	10
[illegible]	[illegible]	+	18
[illegible]	[illegible]	+	2
[illegible]	[illegible]	+	12
[illegible]	[illegible]	+	18
Tibbett Britten	740	+	23
[illegible]	[illegible]	+	3
[illegible]	[illegible]	+	9
Vickers	178	+	6
Welsh Water	676	+	29
Falls			
Cable & Wireless	410	−	11
[illegible]	[illegible]	−	11
[illegible]	[illegible]	−	11
Huntingdon Intl	44	−	21
Powerscreen	282	−	13
Standard Chtd	256	−	7

Higher international sales volumes beats expectations, reports **Robert Corzine**

BP spurred by petroleum demand

British Petroleum yesterday said demand for petroleum products was growing faster than expected because of economic recoveries in key regions, including the US, Europe and south-east Asia.

BP executives in London said higher sales volumes were one of the main factors behind the company's strong third quarter quarter performance. Replacement cost profits of £415m ($655m) were 23 per cent up on the previ*ous quarter and the same period* last year.

Mr David Simon, chief executive, said oil production in the first nine months of the year was up 4 per cent, while natural gas volumes showed a 20 per cent increase. Chemical volumes were up 10 per cent. "The growth in volumes was better than predicted," he said. "There is a buoyancy on the demand side that is most encouraging."

Japan was the only major country where increased demand failed to appear, according to Mr Simon.

BP predicted that the firmer demand could "...support crude oil prices" over the next few months. Mr Simon warned, however, that rising demand for petroleum products might not translate into wider margins for BP and other oil companies.

He said the volatility evident in oil markets this year was likely to continue. Price swings of as much as $3 around a $17-$20 range for the benchmark brent blend could be expected, even in the face of firming demand.

Improved efficiency has recently allowed it to increase its margin per barrel to around $4, towards the top of the industry range, from around $3.50 a barrel.

Its cost of finding, developing and producing a barrel of oil has also fallen to $8-$9, about $4-$5 below its peak several years ago.

The average third quarter brent oil price was $16.62 a barrel, close to the average price many analysts expect for the year. But market volatility means that BP will continue to use a benchmark of $14 a barrel to test the economics of proposed projects.

Mr Simon said it was uncertain whether the sharp rise in demand for chemicals would result in big margins recorded during previous economic recoveries.

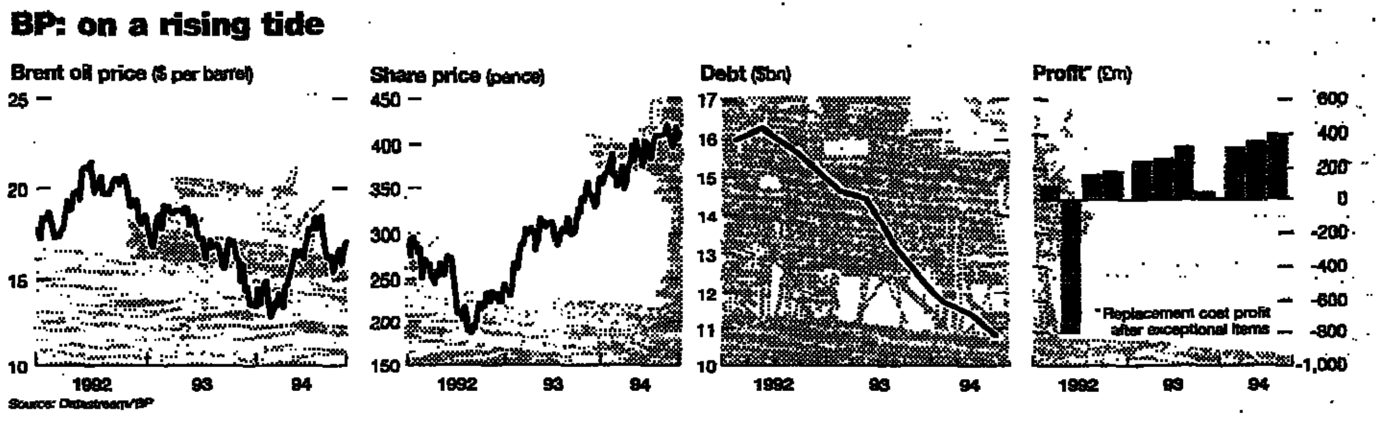
In the first nine months of the year BP made a replacement cost operating profit of £133m on chemicals, compared with a £53m loss last year.

Mr Simon said price rises of between 20 per cent to 30 per cent helped to return *BP's* chemical divisions to profit.

"The price rises are running at about half the rate of those last time," he said. Increased competition was one reason for price moderation.

Lex, Page 14; Details, Page 22

BP: on a rising tide



Source: Datastream/BP

Consumer group attacks utility's interim increase

UK water stocks rise as Thames lifts payout 11%

By Peggy Hollinger in London

A surprise increase in the interim payout at Thames Water pushed most stocks in the sector higher in London yesterday as the market upgraded dividend expectations.

Thames kicked off the sector's interim season with an 11 per cent increase in the interim dividend to 8.2p, against expectations of an 8 per cent rise. Water shares rose 2 per cent in a falling market. Thames, however closed ½p down at 531½p.

Analysts said Thames's "surprisingly generous" action could prompt other water companies to follow suit, assuming it did not spark an adverse political reaction. "We are expecting companies to show earnings improvement of 10 per cent overall," said one. "If the others follow Thames's line they could deliver 10 per cent dividend growth quite *easily*."

However, the water sector's critics lined up to attack the increase. "It just confirms customers' views that the original price controls allowed companies and shareholders to benefit more than consumers," said the National Consumer Council.

Thames justified the rise, saying it had achieved 11 per cent underlying earnings growth to 36.8p and enjoyed an exceptionally good first half. Pre-tax profits rose 11 per cent to £151m ($239m), excluding last year's £25m exceptional charge for rationalisation and losses on contracts. Turnover was 6 per cent ahead at £572m.

Sir Robert Clarke, chairman, was confident of a good outcome for the rest of the year, although he would not be drawn on the dividend outlook.

He warned investors not to expect such a generous dividend under the new pricing regime. "Life is going to be tougher," he said. "To expect increases of 11 per cent would not, perhaps, be sensible."

Thames's non-core international businesses – which had been responsible for the unexpected £25m charge last year, increased losses from £2.6m to £6.6m in the first half, excluding last year's charges.

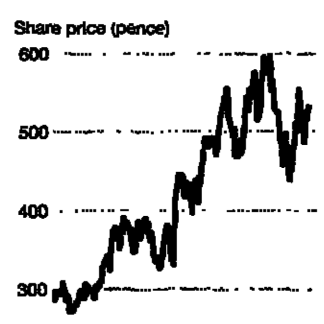
Sir Robert stressed that Thames was taking a long-term view on international operations. They were expected to be contributing profits of about £20m by the turn of the century.

The utility business lifted profits 11 per cent to £176m on turnover up by 5 per cent to £455m.

Thames also announced the appointment of two new non-executive directors to the board. They are Mr Roger Carr, chief executive of Williams Holdings and Mr Tony Hobson, finance director of Legal & General.

Lex, Page 14; Buoying up sector, Page 20

Thames Water



Source: Datastream

DnB signals end of banking crisis with dividend forecast

By Karen Fossli in Oslo

Den norske Bank, Norway's largest commercial bank, yesterday consigned the country's four-year banking crisis to history. *The bank said it expected* to pay its first dividend since its formation from a merger in 1990.

Nine-month pre-tax profits almost trebled to nearly NKr2bn ($307m) from NKr720m last year. The bank benefited from a sharp improvement in non-performing loans and a reversal in loan losses, with a marked domestic improvement.

The volume of non-performing loans fell by NKr3bn to NKr7.2bn from the start of the year with one-third of the decline occurring in the third quarter.

"In light of this performance, the bank expects to be in a position to declare a dividend for 1994," said Mr Finn Hvistendahl, group managing director.

The bank's continued improvement was curbed however by a reduction in gains on shares, bonds and foreign currency following rising domestic interest rates. Last year the bank benefited greatly from declining rates.

Net interest income declined by NKr368m to NKr3.6bn but the reduction of non-performing and doubtful loans cut interest *expenses by NKr268m.*

Other operating income – from securities, bonds, foreign exchange and other financial instruments – fell by NKr987m to NKr1.7bn. Nevertheless, the bank's result was helped by a gain of NKr147m with lower than expected loan losses. This compared with loan losses of NKr2.5bn in the same period last year.

The bank said the volume of doubtful loans had been cut by NKr1bn since the end of 1993. "It is gratifying that our efforts in following up problem commitments have produced results," Mr Hvistendahl said.

DnB said a NKr37m rise to NKr3.4bn in operating expenses partly reflected an increase in statutory guarantee fund contributions but that personnel expenses were cut by NKr48m to NKr1.65bn. The bank's ratio of deposits to lending rose to 68.8 per cent from 66.1 per cent.

Stockholm halts sale of energy stake

By Christopher Brown-Humes in Stockholm and Richard Wolffe in London

The newly-elected Stockholm city council yesterday effectively vetoed plans to sell a 17.3 per cent stake in Stockholm Energi, *Sweden's third-largest energy* producer, to Yorkshire Electricity, the UK utility.

The SKr1.8bn ($248m) deal appears to have fallen victim to horsetrading on the council, which owns Stockholm Energi. The swing to the left in the Stockholm elections reflected a broader national trend which carried the Social Democrats back to power last September with a more critical policy on privatisation. The municipal elections left the Social Democrats needing support from two parties opposed to the agreement. When the deal was agreed in June, a centre-right coalition was in control.

It is understood that Yorkshire will receive around SKr200m in compensation.

"This is purely a political decision," said Mr Inge Telander, a spokesman for Stockholm Energi. He said the group, which produces around 13 terawatt hours (twh) of electricity a year, had needed a partner to bolster its balance sheet after its SKr2bn purchase of hydropower generating facilities in June 1993. A deal *with Yorkshire would have* strengthened its equity-to-assets ratio from 11 per cent to more than 25 per cent.

The company was also seeking expertise from Yorkshire ahead of a planned deregulation of the Swedish electricity market. However, this deregulation was last week postponed by the new Social Democratic government. A proposal to list Stockholm Energi has also been abandoned.

"We will have to discuss with our owner other sources of finance," said Mr Telander.

Stockholm Energi reported a SKr217m profit last year on sales of SKr6bn. Half its output is generated by nuclear power and 35 per cent by hydro-electric power.

Election changes have also cast uncertainty over Electricité de France's plans to buy a 9 per cent voting stake in Sydkraft, Sweden's second-largest energy group, from three municipalities for SKr1.1bn.

Mr Malcolm Chatwin, Yorkshire's chief executive, said: "We are obviously disappointed that the new political regime in Stockholm does not wish to go ahead with the agreement that was made with the former regime."

Barry Riley

Stock markets face younger rivals

Sullen indifference from the stock markets has greeted a largely unpredicted recovery in the economies of continental Europe this year.

At the beginning of 1994 the German *economy, for instance,* was widely expected to grow by less than 1 per cent – by 0.8 per cent, according to the OECD last December – but recently the main economic institutes have raised their consensus GDP growth forecast to 2 per cent and the out-turn is likely to be higher still. But the German stock market has fallen 11 per cent in 1994 so far, dominated by sharply rising bond yields and the fear that short-term interest rates will bottom out sooner than expected. There are similar patterns in France, where the index is down 15 per cent, and election uncertainties still lie ahead.

In the UK, which is perhaps 18 months ahead in the economic *cycle, and where the GDP* growth rate has accelerated closer to 4 per cent, the caution in the equity market has been rather more predictable. Short-term interest rates, after all, have passed the cyclical trough.

These cyclical influences on European share prices are the subject of an intriguing analysis by Merrill Lynch's European strategy director Mike Young. The headline warning is that price-earnings ratios will collapse, to 10 or less. Given that average earnings per share in Germany *and* France *may* well double in 1994 and 1995, taken together, and may not peak until 1998, this will not be the disaster it might sound like. But it implies a long, sideways-to-downwards struggle against cyclically adverse pressures.

According to Merrill Lynch, p/e ratios in the main European markets will fall from a present range of 13 to 28 to a range of 6 to 12. The long trend towards rising p/es that lasted from about 1980 *to 1993 is to be reversed.* But the forecasts focus on the long-term trend and do not, says Mike Young, looking on the bright side, rule out the possibility that volatility could send share prices to new highs in passing.

The risk premium has dropped to an unusually, perhaps unsustainably low level in European markets

The arguments are set out in *terms of the theoretical relation*ships between the debt and equity markets. The expected risk-adjusted return on equities is equal to the expected fixed income return. But heroic judgments must be made about variables such as the real bond yield and dividend growth and the question of the equity risk premium.

This study manages to be bearish on all three counts. It cites *evidence that the equity risk pre*mium is sensitive to rising inflation, which is probably passing through a cyclical trough. Certainly the risk premium has recently dropped, in historical terms, to an unusually and perhaps unsustainably low level in European markets; and in the UK in particular it is likely to widen *if pension funds raise their fixed* income exposures to match the forthcoming minimum solvency standard.

Real bond yields have already risen sharply this year, and have certainly damaged share prices. *Increasing demands for* capital from developing countries will help keep real yields high (the figure is now 4.9 per cent in Germany, for instance) and maybe push them up a further 50 basis points, says the study. As for dividend growth, it is assumed that as the cycle matures, expectations here will decline during the next three to four years.

Merrill's analysis fits into a broad global framework: the drift of capital from sluggish Europe to more dynamic regions, a consequent rise in real interest rates (especially if European governments continue to borrow heavily) and a rising equity risk premium as risk capital, in particular, is drawn away by high *returns in emerging economies.*

But are the conclusions too gloomy? There are some more positive possibilities, including the growth of institutions in continental Europe such as mutual funds and pension funds that might increase the domestic demand for equities and hold the risk premium down. Moreover, the routine contrarianism of global investors (buy in a recession, is their rule of thumb, and *sell on a recovery*) may leave some mid-cycle opportunities unexploited.

Economic growth, investors may rediscover, can actually be a *good* thing, especially when it is unexpected.

INTERNATIONAL COMPANIES AND FINANCE

Borealis advances in third quarter with DKr340m

By Hilary Barnes

Borealis, the petrochemicals joint venture formed this year between Norway's Statoil and Finland's Neste, forged ahead in the third quarter, reporting operating profits of DKr340m ($57.6m) and a profit after net financial items of DKr256m in the third quarter.

This took operating profit for nine months to DKr330m and pre-tax profit to DKr8m on sales up about 12 per cent to DKr10.3bn.

Mr Juha Rantanen, chief executive, said the third quarter brought one of the sharpest improvements in profitability in the industry since 1988.

He attributed the improvement to strong demand in Europe, Asia and the US, with an increase in both sales volume and in prices for the group's main products, polyethylene and polypropylene.

Third-quarter polypropylene and polyethylene prices in Europe increased by 10 per cent and 20 per cent respectively from the second quarter while sales volume advanced 7 per cent.

The strength of demand was attributed to consumer demand and to inventory building by customers.

Mr Rantanen said Borealis had secured long- and short-time financing facilities from its core banks. He said, "We have become fully independent for financing."

Borealis said its forecast for its first full year of operations was positive, with a final quarter which should show an improvement on the third-quarter figures.

However, Mr Rantanen said, however, there was still some uncertainty about the durability of the present recovery and continued concern about the fundamental problems of the European petrochemical industry, such as slower long-term demand growth and competitiveness compared to other regions.

Danish bank chief takes early retirement

By Hilary Barnes in Copenhagen

Mr Borge Munk Ebbesen, chief executive at Bikuben, Denmark's third-largest bank, is resigning next year, 18 months ahead of his normal retirement date.

He will be replaced by Mr Henrik Thufason, currently managing director of the savings bank's data centre.

Mr Ebbesen's resignation statement coincided with the publication of a three-year development plan for Bikuben, the country's premier savings bank.

He said: "I have decided to leave Bikuben so that the future management can be there throughout the life of the plan."

The bank aims to increase its core earnings (operating earnings excluding unrealised gains and losses on securities) to DKr750m ($127.1m) in 1997. This compares with a DKr1.2bn loss in 1993, when the bank carried loss provisions of DKr2.69bn, about 4.7 per cent of outstanding loans and guarantees.

In the first half of this year, a cut in provisions to DKr532m from DKr1.68bn in 1993 enabled the bank to report core banking profits of DKr229m, but heavy unrealised losses on the bond and share portfolio meant it reported a first-half net loss of DKr472m.

The development plan, worked out with the assistance of McKinsey & Co, management consultants, outlines a reduction in costs by cutting staff by 600 people to 4,300 and the number of branches by 40 to 260 by 1997.

The group will try to reduce its exposure to risk in securities and currency trading and to improve the quality of its assets, cutting bad loss provisions to a maximum of 1.25 per cent of loans and guarantees by 1997.

The bank's capital adequacy ratio at the end of June was 9.97 per cent, well above the Danish minimum legal level of 9 per cent.

Aga pleases market with solid nine-month result

By Christopher Brown-Humes in Stockholm

Shares in Aga jumped 8 per cent yesterday after the Swedish industrial gas group announced a stronger-than-expected 23 per cent increase in profits in the first nine months.

Profits after financial items amounted to SKr1.18bn ($163.9m), compared with SKr964m in the same 1993 period, after sales increased 10 per cent to SKr9.21bn.

The company upgraded its full-year forecast, saying it expected profits to be 20 per cent higher than last year's SKr1.36bn. The group's A shares rose SKr5.5 to close at SKr73.5.

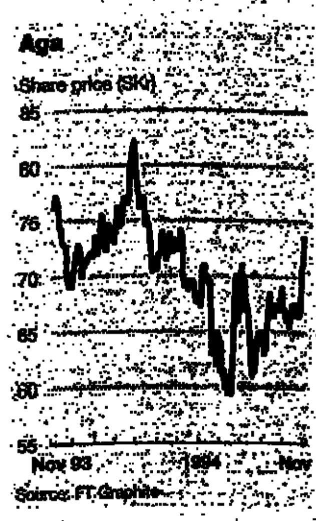
The figures have been adjusted to exclude Frigoscandia, the world's leading cold storage chain which Aga demerged earlier this year to concentrate on its core businesses.

At the operating level, income rose 15 per cent to SKr1.2bn due to economic improvement, rising demand for industrial gases, and rationalisation. Aga benefited from economic stabilisation in Brazil, which brought good third-quarter earnings for its unit there.

The company saw a reduction in net financial costs to SKr162m from SKr195m while its 34 per cent share of income from Gullspangs, the power company, rose to SKr132m from SKr113m.

The group's third-quarter performance was much stronger than a year ago, with income after financial items climbing 56 per cent to SKr398m even though sales were only 7 per cent higher at SKr3.13bn.

Investments in new plant and equipment jumped to SKr1.2bn in the first nine months from SKr980m in the same 1993 period. The biggest projects were air gas plants in Finland, Norway, Germany, Chile and Mexico.



Hershey shake-up cuts 400 jobs

By Richard Tomkins in New York

Hershey Foods, the biggest US confectionery maker, yesterday said it planned to carry out a restructuring over the next 12-15 months that would mean the loss of about 400 jobs and result in a charge of $97m-$105m to net profits in this year's fourth quarter.

In last year's fourth quarter, Hershey made net profits of $92.2m.

Mr Kenneth Wolfe, chairman and chief executive, said part of the reason for the restructuring was the signing of the North American Free Trade Agreement.

In response, Hershey was combining its confectionery operations in the US, Canada and Mexico into a consolidated unit to be called Hershey Chocolate North America.

"In doing so, we hope to capitalise on Hershey Chocolate USA's strengths to improve our competitive positions in the Canadian and Mexican markets and enhance our overall returns," Mr Wolfe said.

Like other manufacturers of branded goods, Hershey is facing a growing competitive threat from cheaper own-label products.

Mr Wolfe said that another reason for the restructuring was to make sure that the company was making the most productive use of all its assets.

Sales growth helps turnround at DSM

By Ronald van de Krol in Amsterdam

Strong demand fuelled by European economic recovery enabled DSM, the Dutch chemicals group, to stage a turnround to a net profit of Fl 114m ($67.4m) in the third quarter, from a net loss of Fl 52m in the same period of 1993.

The sharp improvement was caused mainly by a 13 per cent rise in sales volumes, particularly for polymers and caprolactam, a raw material used to make nylon.

Turnover rose 13 per cent, to Fl 2.15bn from Fl 1.90bn.

Selling prices rose by an average 2 per cent, but this was offset by the negative effects of divestments and by lower exchange rates, particularly for the dollar.

The buoyant demand for polymers and other DSM products kept the group's plants operating at high utilisation rates, the company said.

The unusually good results in the third quarter, which is traditionally a weak period because of the summer holidays and slacker production at DSM's industrial customers, took net profit for the first nine months of the year to Fl 295m.

This compares with a net loss of Fl 42m a year earlier. Nine-month turnover was up 8.7 per cent at Fl 6.63bn from nearly Fl 6.1bn in the first quarters of 1993.

The result was in line with forecasts by analysts, who had predicted a net result above Fl 100m for the quarter.

DSM forecast that sales volumes would remain strong in the final quarter, while selling prices and margins should also be higher on average than in the third quarter.

This is expected to lead to a further increase in fourth-quarter net profit, before extraordinary items, compared with the third quarter, in spite of the prospect of significant maintenance shutdowns.

Mr Simon de Bree, chairman, said the lower dollar trend was a cause for concern, but added this was not expected to have any significant negative effect in the short term.

Générale des Eaux poised to name head

By Andrew Jack in Paris

Mr Jean-Marie Messier, a 37-year-old partner at Lazard Frères, the merchant bank, is likely to become the next head of Générale des Eaux, the French utilities and communications group. His appointment is expected to be announced within the next few weeks.

The appointment comes at the recommendation of Mr Guy Dejouany, the 73-year-old chairman who is due to retire shortly from his post.

However, the move will require ratification at a forthcoming meeting of the board of directors. The change partly reflects a desire by the group for a more youthful management.

Mr Messier is a member of the Inspecteurs des Finances, the élite French administrative corps, and advised the government on its privatisation programme before joining the private sector.

Shares in the group rose slightly at the end of last week following speculation in the French press of Mr Messier's appointment.

The group last month reported net profits of FFr1.26bn ($244.2m), up 5.4 per cent, in the first half of the year.

Roche to shed R&D staff

Roche, the Swiss pharmaceuticals group, said it would cut 1,930 jobs in its global research and development sector, of which 350 would be lost in Basle, agencies report.

The group's head of R&D, Mr Jürgen Drews, added that the number of research projects at Roche and Syntex, the US group acquired by Roche earlier this year, would be cut to 70 from the more than 90 currently in place.

It said the restructuring of the R&D operations will be largely completed in early December.

Roche has already announced that it was planning to cut 5,000 jobs worldwide following its acquisition of Syntex.

Profits setback for Hafslund Nycomed

By Karen Fossli in Oslo

Hafslund Nycomed, the Norwegian group best known for its radiology products, saw nine-month pre-tax profits slip to NKr1.01bn ($155.3m) from NKr1.18bn. The decline was due to reversals in the securities portfolio and higher interest expenses.

Group sales, including royalties, rose to NKr5.3bn from NKr4.7bn while operating profit was unchanged at NKr1.5bn.

Net financial items during the period were a charge of NKr132m, against income of NKr35m last year.

Interest expenses shot up to NKr105m from NKr63m but foreign currency losses were cut to NKr34m from NKr50m. The group suffered losses on securities of NKr8m, compared with gains of NKr153m last year.

Nycomed Imaging's sales slipped to NKr1.89bn from NKr1.92bn with operating profit declining to NKr1.15bn from NKr1.2bn due to increased competition and pressure on prices.

Nycomed Pharma improved sales to NKr2.5bn from NKr2.3bn. Its operating profit rose to NKr467m from NKr369m on the back of positive developments in the Nordic and Benelux markets.

Siemens plans $3.5bn investment in Asia

Siemens, the German industrial group, plans to invest more than $3.5bn in infrastructure projects in the Asia-Pacific region by 2000, Reuter reports from Singapore.

"There is an enormous need for infrastructure goods in the [Asia-Pacific] region," Mr Heinrich von Pierer, president and chief executive, said after the company's first corporate executive committee meeting outside Germany.

He said more than $1bn of the planned investment would be spent in China, and between $500m and $1bn invested in India.

The proposed projects include power generation, telecommunications, transport systems, industrial automation and medical engineering.

Mr von Pierer said preliminary figures for the fiscal year to end-September 1994 showed the Asia-Pacific region contributed almost $7bn in new orders and $5bn in sales. "This marks a 10 per cent increase over the previous year.

"While continuing to expand in our home market of Europe and in the Americas, we will consequently develop the Asia-Pacific region as our third regional pillar," he said.

He said the group aimed to more than double business volume in the area by 2000.

Cigna sells reinsurance business to cut losses

By Richard Waters in New York

Cigna, the US insurer, is withdrawing from the reinsurance business as part of an attempt to turn round its loss-making property/casualty insurance operations.

With premiums of $507m last year, Cigna was among the top 30 reinsurers worldwide.

The company is *selling its* international reinsurance business, which generated premiums of $270m in 1993; transfering its US agricultural insurance operations, with $100m of premiums, to its domestic property/casualty insurer; and closing the rest of the US reinsurance operations, which had premiums of $150m.

Its departure from the business echoes moves by other US insurers to reduce *their exposure* to property/casualty losses in the wake of big catastrophe and pollution claims. Prudential Insurance announced plans last year to sell its own reinsurance company, Prudential Re.

Cigna, which does not publish separate results for its loss-making reinsurance business, said its overall property/casualty insurance operations, which include reinsurance, lost $69m in the third quarter and $216m in the nine months *to September*.

The company closed down its UK reinsurance business two years ago, but continued to take run-off losses on this business of $10m last year.

Cigna is selling its reinsurance business in Europe, south-east Asia and Latin America to St Paul, and its business in Japan and Korea to Employers Re.

The company reported overall *third-quarter* net income of $123m, or $1.70 a share, compared with a loss of $94m, or $1.31 a share, a year ago. The latest figures reflect a $9m *charge and $26m of additional* reserves to reflect the withdrawal from reinsurance.

TWA cuts net loss to $8m in term

By Richard Tomkins in New York

Trans World Airlines, the US airline struggling to avert a *financial crisis*, yesterday reported that cost-cutting had enabled it to reduce net losses in its third quarter to $8m from $61.7m.

However, Mr Robert Peiser, chief financial officer, said it was still "crucial" that the company should win approval for the sweeping financial restructuring plan that it put to creditors last month.

TWA, once one of the world's best-known airlines, went into Chapter 11 bankruptcy protection in 1992. It emerged in November 1993, but has not reported a net profit since.

At its annual meeting yesterday in St Louis, Missouri, TWA told shareholders that it had turned the comparable period's operating losses of $34.5m into operating profits of $33.8m this time – the first operating profit recorded by the company since the third quarter of 1990.

Mr Jeffrey Erickson, chief executive, said cost-cutting and *productivity improvements* were behind the turnround.

Unit costs, expressed in cents per available seat mile, had fallen to 8.66 cents from 9.23 cents in the comparable period.

However, Mr Erickson said the company was still being dragged down by the cost of servicing its debts. Interest expense was $49m in the last quarter alone, and had totalled $148.3m so far this year.

Last month TWA announced a rescue plan under which creditors were asked to swap *$800m of the company's $1.8bn* worth of debt for new equity.

If the rescue plan succeeds, TWA believes it will be able to survive the lean winter months and return to profitability next year.

However, many creditors believe they would get a poor deal under the restructuring plan and are threatening to oppose it.

If the plan fails, TWA will quickly run out of cash and will almost certainly have to file for some form of bankruptcy protection again.

Laidlaw in talks to purchase Union Pacific waste subsidiary

By Bernard Simon in Toronto

Laidlaw, the Ontario-based waste services and transportation group, expects to become North America's biggest hazardous waste operator with a *proposed* deal *to acquire a sub*sidiary of Union Pacific, the US railroad conglomerate.

Laidlaw has signed an exclusive agreement with Union Pacific to negotiate the purchase of United States Pollution Control, which operates *several landfills, service cen*tres and other hazardous waste facilities in the western US.

The purchase price is expected to be about US$225m, plus unspecified financial and environmental obligations. Laidlaw's board is due to approve the deal in mid-November, and regulatory approvals should be completed by early next year.

According to Laidlaw, the addition of US Pollution will boost its hazardous-waste revenues to more than $800m a year.

The hazardous waste business has been marked in recent years by fierce compe*tition and tightening environ*mental rules. However, Mr Jim Bullock, chief executive, said that "these assets will make us an even stronger competitor in a rapidly consolidating marketplace".

Mr Bullock said that US Pollution will expand Laidlaw's geographic coverage and provide facilities for incineration *of solid hazardous waste.*

Laidlaw is in the throes of a wide-ranging reorganisation designed to sharpen its focus on selected waste-management businesses and passenger transport services. It recently *agreed* to sell its 35 per cent *stake in Attwoods*, the UK-based waste services group, to Browning-Ferris Industries of Houston for $208m.

GM to change AGM rules to quell hecklers

By Richard Tomkins

General Motors of the US, the world's biggest industrial company, is to make drastic changes in the way it conducts annual meetings in an attempt *to quell the disruption caused* by dissident shareholders and hecklers.

It plans to limit the amount of speaking time allotted to each shareholder and focus the annual meeting on formal business such as the election of directors and votes on company and stockholder proposals.

GM, which has recently held its annual meetings in cities where it has plants, will also eliminate ancillary events such as shareholder lunches, plant *tours and test drives of new* GM cars and trucks.

Mr John Smale, GM chairman, said the de-emphasis of the annual meeting would be *accompanied by the creation of* new regional forums that would be held in 13 cities between now and March next year. These forums would coincide with local motor shows and would be attended by GM executives who would be on *hand to answer shareholders'* questions.

Mr Smale said surveys showed that GM shareholders felt the company's annual *meetings* were not an effective method of communicating with them.

US regulators probe swap sale

By Richard Waters

Two US regulators are *investigating allegations that* Bankers Trust misled Procter & Gamble over the sale of a complex derivative instrument, in a case which could mark the first extension of the watchdogs' jurisdiction over derivative markets.

The Securities and Exchange Commission, which overseas US securities markets, and the Commodity Futures Trading Commission, which regulates *futures trading*, are both understood to be investigating the matter, although neither agency would confirm their interest.

The investigations follow *P&G's move last week to sue* Bankers Trust for more than $130m over an interest rate swap contract it entered into last year. The bank also faces a lawsuit from Gibson Greetings, which alleges it was misled by the bank over a swap it bought.

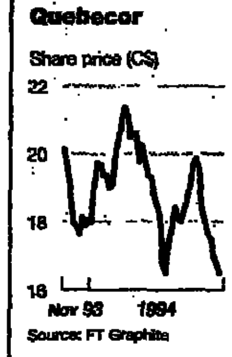
Swaps, under which two parties agree to exchange payments in the future based on the movements in some underlying instruments or markets, are not classified as securities and so do not fall under the SEC's jurisdiction.

Also, the CFTC in January last year explicitly extended an *exemption for swaps from its* regulations, although the instruments still fall under the broad anti-fraud provisions of the legislation under which the CFTC operates.

Mr Simon Lorne, the SEC's general counsel, indicated yes*terday that some swaps may* fall within the agency's jurisdiction, adding: "As some of them have become more exotic, with more different elements *embedded* in them, these questions become more difficult to answer."

NEWS DIGEST

Sharp advance at Quebecor in third quarter



Quebecor, an expanding Canadian-based international commercial printing, publishing and forest products group, posted a sharp gain in third-quarter earnings and is raising its dividend by 18 per cent, writes **Robert Gibbens in Montreal.** Third-quarter net profit was *C$27.2m (US$20.1m)*, or 39 cents a share, up almost 56 per cent from C$17.5m, or 27 cents, a year earlier on revenues of C$1.07bn, up 35 per cent.

Nine-months net profit was C$70.3m, or C$1.04, before special items, against C$52.6m, or 77 cents, on revenues of C$2.8bn, up 26.5 per cent.

Quebecor, controlled by the Peladeau family of Montreal, is North America's second-biggest commercial printer and is expanding in Europe and Asia. It also owns a Canadian *daily paper, plus weeklies and magazines. Its* newsprint affiliate is one of North America's lowest-cost producers.

SHL Systemhouse returns to the black

SHL Systemhouse, a fast-growing Canadian-based computer systems and outsourcing group, posted a profit last year but acknowledges it must improve margins and raise efficiency, **writes Robert Gibbens.**

Net profit for the year ended August 31 was C$17.5m (US$12.93m), or 29 cents a share, against a loss of C$145m, or C$3.09, including a C$135m restructuring charge a year earlier.

Gross revenues rose 27 per cent to C$1.2bn, with strong growth in service contracts.

Fourth-quarter profit was C$1.5m, or 2 cents a share, against a loss of C$149m, or C$2.92, including the *special charge*. Revenues were C$296m, up 32 per cent.

The company's order backlog at August 31 was C$2.1bn, up from C$1.5bn a year earlier.

Visa Int'l joins China 'Golden Card' venture

Visa International yesterday signed a consultancy agreement with Jitong Communications to help extend China's "Golden Card" national payments and credit-clearing system, **writes Tony Walker in Beijing.**

Mr Lindsay Pyne, president of Visa International Asia Pacific, said that the two sides would collaborate in speeding the establishment of a national payments infrastructure.

Visa would use its relationship with seven of China's specialised banks to assist Jitong, a wholly-owned subsidiary of the ministry of electronics industry, to promote its Golden Card.

Officials said Visa would not take an equity stake in the project at this stage, but it would "assist in introducing advanced technology and software for identifying counterfeit activities and for solving problems in linking regional and international networks".

Jitong launched its Golden Card pilot project last year. Other participants include IBM and the China Great Wall Computer Group.

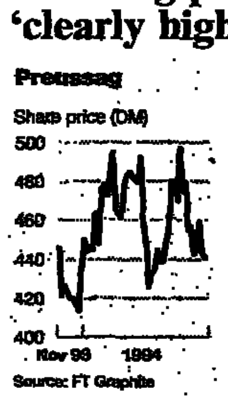
Terms for Malaysian timber sale accepted

The vendors of two large timber companies to be acquired by Malaysia's Berjaya Textiles have accepted the revised terms imposed by the *Securities Commission* on the proposed sale, a Berjaya Textiles statement said, **Reuter reports from Kuala Lumpur.**

Berjaya Textiles is buying Sarawak-based Jaya Tiasa Plywood and Rimbunan Hijau Plywood with shares, which would result in a reverse takeover of Berjaya Textiles by Malaysian timber tycoon Mr Tiong Hiew King and *his associates*. The commission, in approving the deal earlier, had slashed the price tag of both companies.

It cut the proposed price of M$1.04bn (US$406m) for the acquisition of Jaya Tiasa to M$730m, while the price for Rimbunan Hijau was reduced to M$107m from M$143.69m.

Preussag profits 'clearly higher'



Group profit at Preussag, the German industrial group, was "clearly higher" in the fiscal year ended September 30 than in the previous fiscal year, Mr Michael Frenzel, chairman, said yester*day*, ***AP-DJ reports*** from Berlin. He said group order inflows had risen by "around 4 per cent", and that order backlogs as of September 30 were 12 per cent higher than those of a year earlier. He attributed the gain in orders to growth at Preussag's shipbuilding and plant-engineering operations.

He added that restructuring at the group's troubled Hagenuk telecommunications unit should be completed by the end of fiscal 1994-95.

Biogen halts work on blood-clot drug

By Frank McGurty in New York

Biogen, the US genetic-*engineering concern*, said it was stopping development of one of its two most promising experimental drugs.

The decision represents a blow to the company's efforts to become a fully integrated drug manufacturer.

The company said it had decided it would no longer pursue efforts to market an anticoagulant known as Hirulog, which is made from a *chemical produced by leeches*.

Biogen, which is based in Cambridge, Massachusetts, said it would take a $25m pre-tax charge in the third quarter to cover expenses related to the move.

Study reveals larger PC market

By Louise Kehoe in San Francisco

The world personal computer *market is significantly* larger than previously estimated, according to a new market study. The latest PC product announcements also point to rapid expansion in the consumer segment of the business.

Computer Intelligence Info-*Corp, a leading PC market* research firm, now estimates that 43.8m PCs were shipped in 1993, an increase of 6.9m units over its previous estimates. *CII's forecast for 1994 sales* is 49.4m units, a rise of 7.5m.

Small manufacturers, who typically *build PCs to order*, have been largely overlooked in prior estimates, CII said.

"The so-called clone-shops are the forgotten many and represent an important role in the distribution of PC systems. Our data show that the major*ity [59 per cent] of computer* dealers and retail computer stores carry non-branded PCs," said Mr Dan Ness, director of microsystems research at CII.

Intel, the leading supplier of microprocessors to the PC industry, said the new CII numbers were a more accurate reflection of the overall size of the PC market.

Another important PC market trend is the growth of con*sumer* sales. About *one-third of* all PC sales in the US last year were to consumers or businesses with five or fewer employees, according to market researchers. This year, the consumer segment is expected to be closer to 50 per cent of all US PC sales.

Digital Equipment yesterday became the latest PC manufacturer to focus on this high-growth segment, with the introduction of new models aimed at the US *retail* market.

Taking an approach similar to that of market leaders Compaq, Packard Bell and IBM, Digital has developed PCs preloaded with *software that* enables buyers to set up the computer in 15 minutes or less.

In a separate PC industry development that promises broader availability *of software* applications, IBM and Hughes Network Systems yesterday announced a partnership to deliver software to retailers and corporate customers via satellite transmission.

Pfizer to buy cardiology equipment manufacturer

By Richard Waters

Pfizer, the US pharmaceuticals group, has announced that it is buying a specialist manufacturer of hospital cardiology equipment in an all-stock deal valued at $158m.

The purchase will give Pfizer a dominant position in the market for such equipment, *and reflects the consolidation* under way in the US healthcare sector.

Faced with pressure from hospitals and other buyers for *lower prices, most healthcare* companies have come to focus on market share as their primary short-term goal.

Namic USA, based in Glen Falls, New York, reported after-tax profits of $5m on sales of $57m in its last fiscal year, which ended on May 31.

The company claims to hold around two-thirds of the US market for equipment used in fluid administration, waste containment and pressure monitoring during angioplasty.

Namic said it also accounts for about 20 per cent of the *European market for this* equipment and that the acquisition by Pfizer would increase its ability to expand in European markets.

Pfizer's own subsidiary which makes cardiology equipment, Schneider, accounted for just under 15 per cent of the $1bn sales generated by its hospital supplies operations in 1993.

Oppenheimers like to keep business in the family

The question of management succession is occupying minds at Anglo American, writes **Kenneth Gooding**

Mr Harry Oppenheimer, doyen of South African industrialists, celebrated his 86th birthday last week. He is becoming a little more hard of hearing, a little more frail, but he still prefers to pour the champagne himself for luncheon guests at his home, Brenthurst, in Johannesburg.

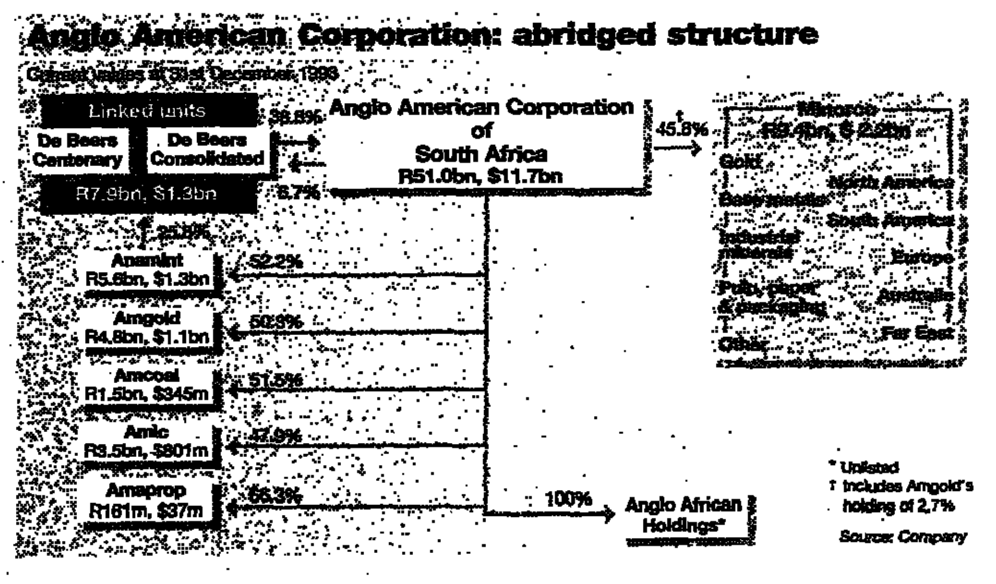
He complains, very gently, about the vindictiveness of the National Party government which did not like his vocal disapproval of apartheid. The government saw to it that a main highway was built at the bottom of his garden and also a large hospital was put up on the hill overlooking his front door. "It is very noisy," Mr Oppenheimer complains. "I don't think Nicky [his son, Nicholas] will want to live here."

There is a more important question about Mr Nicholas Oppenheimer. Some observers wonder if he has the ambition or the ability to step into his father's shoes when the time comes.

The Oppenheimers in effect control Anglo American Corporation – South Africa's biggest group and the world's leading gold producer – as well as its closely-bound sister *companies* De Beers, the world's largest diamond company, and Minorco, which is responsible for many of the group's non-diamond interests outside South Africa. Between them these three represent a stock market value of about $27bn.

The question of management succession at Anglo is increasingly relevant now Mr Julian *Ogilvie Thompson, chairman* of all three companies, has reached the age of 61. Given his tremendous executive burden, analysts are asking when will *Mr Ogilvie Thompson* retire and who will replace him?

Some suggest jokingly he is the only person apart from Mr Harry Oppenheimer who understands the group's immensely complex structure. Not that "JOT", as he is known at Anglo's Main Street headquarters, believes it is particularly complex. At a recent presentation he *pointed to the* chart (see above – values have risen since) and said, without the slightest hint of irony, "Many people believe we have a rather complicated structure. We do not believe this is so."



Yet *there is no sense* that Anglo is self-satisfied or resting on its laurels. Mr Ogilvie Thompson is leading the group through one of its most *dynamic phases.*

Its financial strength is enabling Anglo to expand in several directions at once: there is a R1.7bn ($485m) Moab extension to the deep level Vaal Reefs gold mine; a R1.4bn project to develop one of the world's biggest mineral sands operations at Namakwa Sands in the North West Cape; a 50 per cent stake in the R3.5bn *Columbus stainless steel* project, which will become the world's third-largest producer; and a R1.1bn investment to expand coal production.

There is also an unspecified sum to be spent to double the *size of the newest acquisition*, Del Monte Foods International, which cost R726m. Through Minorco the group is investing £300m ($490m) in a plant at Aylesford *in the UK to produce* newsprint from recycled waste paper, while De Beers is expanding its jointly-owned diamond operations in Botswana *as well as those off the* coast of Namibia.

At Mr Ogilvie Thompson's instigation, Anglo has also been tidying up its structure. How*ever, under* his chairmanship, Anglo has eschewed fashionable "unbundling". Small countries such as South Africa, Sweden and the Netherlands *need large companies to carry* the flag internationally, he insists, and, obviously, such companies will dominate the domestic economy.

Neither will he consider splitting up his three chairmanships. Having separate chairmen for each company when the companies are so closely tied would produce enormous problems, not the least of which would be personality, he insists.

As for when Mr Ogilvie *Thompson will retire*, the Oppenheimers let it be known inside the group recently that they hoped he would continue his tripartite role "well beyond the year 2000".

Nobody at Anglo's headquarters questions that decision. Mr Harry Oppenheimer retired as chairman as long ago as 1982, but the men he left in control were all hand-picked by him and all regularly consult him on company policy.

When he is in Johannesburg or London, he still shows up every day at the Anglo offices. "Although I retired some time ago, they still sometimes ask for my advice," he says disarmingly. But it is clear to any visitor to Main Street that no big decision is taken without *his nod of approval.*

To this extent Anglo still feels very much like a family business, even though the Oppenheimers own only about *8 per cent of it.*

Mr Harry Oppenheimer sees nothing wrong with family companies. He points out that nearly all his family's wealth is tied up in Anglo and Minorco. "If you are in that position, people in your organisation know that you are likely to be *very careful about the interests* of shareholders and not only about the interests of managers."

It would seem a foregone conclusion that Mr Nicky Oppenheimer, now 49, would eventually follow JOT into the three chairmanships – except for his apparent shyness and reluctance to move into the limelight.

He obviously enjoys the diamond business, particularly meeting the traders, who also usually represent family companies.

But he shows little obvious enthusiasm for some other parts of the empire, even though he diligently does all the paper work required.

However, those close to Mr Nicky Oppenheimer say that, when the time comes, he will take over. Mr Leslie Boyd, the Anglo director responsible for the industrial operations, points out that similar doubts were expressed about Mr Harry Oppenheimer when Sir Ernest, Harry's father who founded the group in 1917, died in 1957.

Mr Harry then seemed more interested in his political work – he was MP for Kimberley – than in his career at Anglo. Yet he immediately resigned his parliamentary seat and *gave his full attention to the* family company.

Mr Boyd suggests: "Nicky will do as his father did – take his place and then make sure he has a team of highly effective, professional managers around him to run the business."

Profits at HK Telecom advance 15% at halfway

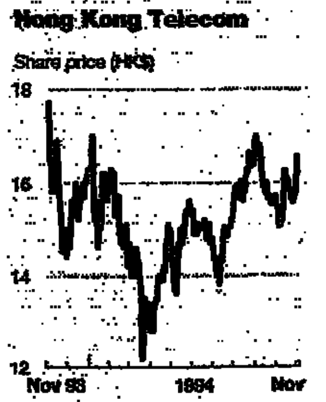
By Louise Lucas in Hong Kong

Hong Kong Telecom, which is 57.5 per cent owned by Cable & Wireless of the UK, yesterday met market expectations with a 15 per cent rise in net profits to HK$4.19bn (US$542m) for the six months to September 30. This compares with HK$3.65bn at the halfway stage last year.

Earnings were struck on an operating profit of HK$4.75bn, up 14 per cent from HK$4.17bn the previous year. Turnover rose 11 per cent to HK$13.29bn, from HK$11.94bn, with the biggest increases registered by equipment sales and rentals. International telephone services, which account for 62 per cent of turnover, improved 9 per cent to HK$8.24bn

The deceleration in international traffic growth was largely brought about by a slowdown in China traffic, which up until this year had been growing at a rate of more than 30 per cent annually. This has slowed to 21 per cent, which the company attributes to the macroeconomic control measures and low telephone line penetration, which now stands at one telephone for every 30 people.

However, analysts questioned how much of a role the



austerity measures, which were in place during the previous financial year, could have played in slowing telephone calls. China accounts for almost half of international traffic, and about one-third of international revenues.

Earnings per share grew 15 per cent to 37.6 cents from 32.8 cents; the dividend rose to 26.9 cents from 23.4 cents.

Hongkong Telecom also bore the brunt of reduced international call charges, which saw the price of calls on the most important routes to the US, Australia, Canada and the UK fall by 10 per cent. These reductions, twinned with an earlier round of cost-trimming, cost Hongkong Telecom about HK$300m over the last six months, a figure which is expected to reach HK$420m for the full year.

Mr Linus Cheung, chief executive, said strong growth in mobile operations – in which Hongkong Telecom has a 34 per cent market share – and tight cost controls fuelled the growth in interim profits.

This raises question marks over future growth, as earnings driven by cost control may prove more difficult to sustain. Analysts believe salaries, the second largest component of costs and up 8 per cent this interim, may be harder to contain once competition starts on domestic fixed lines next July.

The biggest percentage saving was made on the management fees payable to Cable & Wireless. These fell 38 per cent to HK$108m following a revised basis for payment: Hongkong Telecom now pays according to work done on its behalf by Cable & Wireless, rather than a revenue-related fee.

Hongkong Telecom expects returns on its China joint ventures, unveiled last month, by late 1995 to early 1996.

See Lex

Sumitomo Bank to set up securities brokerage

By Gerard Baker in Tokyo

Sumitomo Bank, the world's largest lender, will join the country's other leading banks later this week in establishing a securities brokerage.

The bank announced yesterday that it had received approval from Japan's ministry of finance for the wholly-owned subsidiary to begin trading on November 24.

Last month, the MoF sanctioned plans for the other banks to establish their broking units, but withheld approval from Sumitomo because of a disagreement with the bank over the proposed name of its subsidiary.

Sumitomo had wanted to call it Sumigin, an abbreviation of the bank's Japanese name.

But the ministry objected to the use of the Chinese character "gin" in the title – a character that forms part of the word for "bank".

The authorities intend to maintain distinctions between the banks and their brokerage operations, and objected to the transparent similarity between the name of the bank and its subsidiary. Sumitomo has now agreed to call the company Sumitomo Capital Securities.

The banks' long-awaited arrival in the brokerage business is likely to cause significant upheaval in Japan's financial sector.

In order to protect the existing brokers, the activities of the banks' subsidiaries will, for the time being, be tightly circumscribed. They will not immediately be allowed to trade equities – the principal market – but will be confined to the growing business of corporate bond issuance.

Nevertheless, companies like Sumitomo Capital Securities, backed with substantial capital from their parents, are likely to make large inroads into the market share of the brokers, who are already hard-pressed by the chronic weakness in Japan's equity market.

Setbacks at Japanese oil distributors

By Emiko Terazono in Tokyo

Oil

Japan's leading oil distributors saw declines in sales and operating profits for the first half to September, due to the the time lag in transferring crude oil procurement costs to wholesale prices.

Nippon Oil, the industry leader, saw non-consolidated interim recurring profits – before extraordinary items and tax – decline 31.4 per cent to Y13.3bn ($137m) on a 0.7 per cent fall in sales to Y868.9bn.

Operating profits plunged 42.9 per cent to Y5.9bn and after-tax profits declined 24.7 per cent to Y6.8bn.

The company said procurement costs rose before they could be factored into its wholesale prices.

It also failed to benefit from the 40.8 per cent rise in fuel oil sales triggered by demand from an increase in electric power generation due to the hot summer.

For the full year to next March, the company expects the rise in crude oil prices to continue to affect its profitability, in spite of an expected rise in sales volume.

Unconsolidated recurring profits are forecast to fall 21.9 per cent to Y33bn on a 1.3 per cent increase in sales to Y1,830bn.

Cosmo Oil said sales fell 1.8 per cent to Y678.8bn and operating profits declined 12.4 per cent to Y14.5bn. Current earnings, however, rose 4.2 per cent to Y12.9bn due to rationalisation efforts and an improved balance on its financial items. After-tax profits rose 1.9 per cent to Y5.3bn.

The company said procurement costs rose by Y5.2bn. In spite of a rise in other costs, the company refrained from increasing wholesale prices in fear of further dampening demand.

For the full year to next March, Cosmo expects a 0.6 per cent rise in recurring profits to Y39bn on a 0.1 per cent increase in sales to Y1,440bn.

Engen declines 13% to R418m

By Mark Suzman in Johannesburg

Difficult trading conditions through most of the year increased pressure on margins at Engen, the South African oil group, resulting in a 13.1 per cent fall in after-tax income to R418m ($104m) for the year to August, down from R481m previously.

Although turnover increased by 9.5 per cent to R8.45bn from R7.72bn, operating income after exceptional items and inventory effects dropped 5.4 per cent to R547m from R578m.

Net financing expenses rose to R49m, compared with R16m in interest income a year ago.

Mr Rob Angel, managing director, said that the results represented a satisfactory performance given a generally disappointing pick-up in sales volumes to the South African market, which grew only 1.6 per cent by volume on the year, and a $1 a barrel reduction in refining margins during the second half of the year.

As anticipated, net borrowings rose sharply to R787m from R335m, largely to fund capital expenditure on the second phase of expansion to a Durban refinery which will enable the company to process cheaper crude.

The upgraded plant is expected to come on stream during December slightly below its R800m budget.

Mr Angel, who is an outspoken supporter of full deregulation of the South African oil industry, which has historically been tightly controlled by the state, also attacked the government's "piecemeal tampering with the regulatory system", which he said had cost Engen R100m in lost income over the past year.

Nevertheless, the company reported that in July and August, petrol sales rose 5 per cent in the first real indication of economic recovery.

Mr Angel said he was optimistic that sales would pick up substantially in the next financial year.

Meanwhile, Engen's export performance, primarily to other African countries, continued to expand rapidly, growing 17.5 per cent to 6.7m barrels, up from 5.7m barrels previously and representing strong growth considering the company only began seeking out foreign markets five years ago.

Mr Angel also said that the company was actively seeking new upstream investments, particularly in Africa, to complement its existing ventures in the North Sea and Oman.

Softbank to pay $202m for Ziff unit

By Michiyo Nakamoto in Tokyo

Softbank, a Japanese computer software company, has agreed to acquire the trade-show business of Ziff Communications, the US publishing group, for more than $202m.

The agreement came after Softbank failed to acquire the publishing business of Ziff-Davis, which was sold to Forstmann Little, a New York investment group, for $1.4bn.

The trade-show business of Ziff runs exhibitions of information network-related software and equipment, and had sales of about $90m this year, the Japanese company said. Ziff operates the world's largest trade show on network computing.

The addition of Ziff's trade show operations will lift Softbank's involvement in the trade show business, and add value to its network-related operations which have been growing strongly in recent years, the company said. It will also help it to expand operations in the US.

The acquisition, which Softbank intends to finance with its own funds, is not expected to affect the Japanese company's results in the year to next March, the company said.

Softbank is a fast-growing company involved in the distribution of computer software, hardware and peripherals, and publication of magazines.

Amcor acquires RIG Rentsch

By Nikki Tait in Sydney

Amcor, the Australian packaging and paper group, is hoping to almost double its European sales with the A$134m (US$99m) purchase of RIG Rentsch, a publicly-listed folding carton packaging business based in Switzerland.

It announced an agreed bid for the Swiss company yesterday, offering SFr2,550 (US$2,024) per bearer share, and SFr510 per registered share. Rentsch's principal shareholders, with about 72.5 per cent of the voting capital, have accepted the terms, and public shareholders, who hold the remaining 27.5 per cent, will be presented with an identical offer.

Rentsch has annual sales of around A$300m, of which about 60 per cent come from tobacco packaging. By coincidence, Amcor's directors faced questioning over the ethics of packaging for the cigarette industry at last week's annual general meeting in Sydney.

Mr Athol Lapthorne, chairman, said Amcor had considered the matter – the Rentsch deal had clearly not yet been disclosed – but decided that it was in shareholders' interests that the company should remain in this business. His remarks were applauded by the several hundred shareholders at the meeting.

The Swiss company operates nine manufacturing facilities, all but one of which produce folding cartons. Its plants are spread across Europe and include sites in the UK, France, Germany, Spain, Portugal, Poland and Switzerland.

Mr Chris Nixon, managing director of Amcor's containers packaging division, said the company expected Rentsch to post earnings before interest and tax of about A$20m in the first year.

Amcor has been pursuing an aggressive expansion strategy recently, building up interests in North America, Europe and the Asia-Pacific region. However, this is the first time it has moved into container packaging in Europe. Amcor's European sales were A$367m in the year to end-June, out of a group figure of A$5.5bn.

Sumitomo Metal Mining tumbles

Sumitomo Metal Mining, one of Japan's leading gold and nickel mining companies and ranking third in copper, yesterday reported a big fall in pre-tax profits for the first six months to September 30, AP-DJ reports from Tokyo.

However, the 49 per cent decline to Y355m ($3.6m) from Y692m a year ago was broadly in line with expectations.

The net profit of Y158m was 29 per cent lower than last year's Y122m, and was scored on sales of Y182.43bn, down 5.1 per cent from Y192.33bn last time.

The company maintained its forecast of a slight recovery in pre-tax profit in the full year ending March 30 1995.

Sumitomo said that although the market for copper and nickel recovered somewhat during the six-month period, contract-currency prices of both gold and nickel were lower than a year before because of the yen's strength. A company official said Sumitomo saw an average rate of Y101.00 to the dollar during the period.

The company said volume sales of gold and copper declined from a year before. Copper sales, for instance, fell 8.2 per cent to 94,841 tonnes, while gold sales were down 4 per cent to 10,828kg.

As a result, overall sales in the company's metals division dropped 10 per cent to Y145.58bn from Y162.52bn.

On the Tokyo Stock Exchange the company's shares closed Y7 down at Y953.

INTERNATIONAL CAPITAL MARKETS

US Treasuries fall on renewed rate rise fears

By Patrick Harverson in New York and Conner Middelmann in London

US Treasury prices fell across the maturity range yesterday morning following a stronger than expected purchasing managers' report, which raised fears that the Federal Reserve would raise interest rates sooner, rather than later.

By midday, the benchmark 30-year government bond was down ¾ at 93 ⁵⁄₃₂, yielding 8.043 per cent. At the short end of the market, the two-year note was down ⅛ at 99 ²⁵⁄₃₂, to yield 6.909 per cent.

Prices weakened from the start after the National Association of Purchasing Management reported that its index of business activity rose to 59.7 per cent in October, from 58.2 per cent in September.

Analysts had been expecting the NAPM index to rise to 59.0 per cent.

The market was particularly disturbed by the jump in the NAPM's prices index, from 77.1 per cent to 79.9 per cent, an indication that inflationary pressures may be building up in the manufacturing sector.

Inflation-sensitive investors were not reassured by the comments of Mr Ralph Kauffman, chairman of the NAPM, who said that companies were reporting difficulties in passing on higher materials prices to consumers.

The data sparked immediate selling of bonds as analysts judged that the NAPM figures only increased the likelihood that the Fed would put up interest rates at the next available opportunity.

Most analysts still believe that the Fed will wait until its next open market committee meeting on November 15 before tightening monetary policy, but the NAPM numbers heightened speculation over how large any rate increase might be.

Although a few analysts said the Fed, in the wake of the NAPM report, might raise rates by as much as 100 basis points (bringing the target on the Fed funds rate to 5¾ per cent), the consensus on Wall Street remained that any increase would more likely be of 50 basis points.

Later in the morning, prices weakened further amid reports of futures-related selling, and some selling by dealers hedging against a fall in prices of mortgage-backed securities.

GOVERNMENT BONDS

■ With several countries closed for All Saints' holiday, activity in most European government bond markets was subdued, with prices range-trading in thin volume.

■ UK gilts proved the main exception, rallying sharply after the Bank of England's quarterly inflation report calmed fears of a near-term monetary tightening.

In recent days, market participants had grown increasingly nervous about the possibility that Mr Eddie George, the governor of the Bank of England, and Mr Kenneth Clarke, chancellor of the exchequer, might decide on another base rate increase at their meeting today. However, after the report some dealers said they now expect the next rate rise in early 1995.

The December long gilt futures contract rose as high as 101¼ before closing around 101, up ²¹⁄₃₂ on the day. At the short end of the yield curve, the December short sterling future rose 0.07 to 93.57.

The gains were partly attributed to a scramble by trading accounts to cover short positions. Although traders reported some investor buying, they said most of the activity took place in the futures market.

■ German government bonds followed the US bond market lower, then tracked gilts higher and rallied into the close.

The December bund futures contract on Liffe briefly breached technical support at 89.00 to fall to 88.95, but that triggered heavy buying which carried the contract to 89.39. It slipped back in after-hours trading to around 89.11, unchanged on the day.

Bunds are likely to make little headway this week, with fresh 10-year government supply looming early next week.

■ Swedish bonds weakened amid jitters ahead of today's budget statement by Mr Goran Persson, the finance minister. The yield on the government bond due 2005 rose 11 basis points to 11.09 per cent.

Mr Persson is widely expected to detail the SKr61bn in budget cuts which the Social Democrats announced during the election campaign.

However, some dealers were hoping he would announce additional measures to tackle Sweden's budget deficit after Moody's, the rating agency, last week placed its Aa2 debt rating under review for possible downgrading.

Swedish bonds top league table

By Conner Middelmann

All European government bond markets posted positive total returns in October with the exception of France, where bonds were plagued by pre-election jitters, J.P. Morgan's monthly government bond index monitor shows.

Sweden was the best performing market, with a monthly return of 2.26 per cent in local currency terms. It was buoyed by hopes that the new government will take additional measures to cut the country's large budget deficit and signs – including a 20 basis point interest rate increase – that in the absence of fiscal tightening, the Riksbank will do its bit to slow the level of economic activity.

In Belgium, lower than expected inflation data and a steepening yield curve increased the market's attractiveness, the survey states. In Ireland, lower money market rates also provided the bond market with an improvement in funding costs.

"In both markets, funded spread trades over Germany became more attractive in October, thus leading to significant foreign inflows," the report states.

The Japanese market weakened on continuing economic recovery and the edging-up of short rates allowed by the Bank of Japan. The market posted local currency returns of minus 0.28 per cent.

In the US, continued signs of economic growth and a delay in further Fed tightening pushed yields higher, resulting in a minus 0.06 per cent total return.

Meanwhile, Kemper Investment Management's monthly bond survey, which includes some of the smaller markets, found that Finnish bonds, with a return of 3.68 per cent, posted the strongest gains, followed by Sweden and Norway.

Pricing on Kemira offer due today

By Martin Brice

Final pricing is due this evening on the international offering of 25 per cent of Kemira, the state-owned Finnish chemicals group. A total of 30m shares are for sale with pricing likely to be between FM37 and FM44.

Merrill Lynch is global co-ordinator on the deal, Finland's biggest initial public offering.

Postipankki is handling the domestic and Nordic side, with the US tranche being handled by Merrill Lynch with Goldman Sachs, UBS and S.G. Warburg.

The rest of the world tranche is being handled by Merrill with Indosuez, UBS, Postipankki, S.G. Warburg, ABN Amro, Dresdner, Daiwa, James Capel and Kleinwort Benson.

Hellenic Republic launches Y120bn samurai issue

By Graham Bowley

New eurobond issues were rare yesterday, with many European markets closed for holidays. However, activity is likely to increase dramatically over the coming days, with a number of borrowers tipped to be coming to the market.

INTERNATIONAL BONDS

Spain's Comunidad Autónoma de Andalucia is expected to launch its debut eurodollar offering imminently.

The issue, lead managed by Goldman Sachs and Deutsche Bank, is expected to be a $250m offering of 5¼-year bonds, priced to yield around 40 basis points over US Treasuries, a market source said.

Andalucia tapped the D-Mark and French franc sectors last year with five and 10-year offerings respectively.

The Hellenic Republic yesterday launched a Y120bn offering of samurai bonds, targeted at Japanese investors.

The offering, lead managed by Nomura, was divided into three tranches: Y60bn of four-year bonds offering a coupon of 5.05 per cent, Y40bn of seven-year bonds with a coupon of 6.1 per cent, and Y20bn of 15-year bonds offering a coupon of 7.1 per cent.

Salomon Brothers and CS First Boston have been mandated to lead-manage the launch of the republic's first global eurodollar offering, which is expected to be launched after a series of roadshows next week.

The offering is likely to be in the five-year area, market sources said.

In the sterling sector, Irish Permanent, the former building society which was recently floated as a bank, launched a £100m offering of three-year floating-rate bonds offering a coupon of 10 basis points over three-month Libor.

The closure of most European markets had little effect on the success of the offering, since it was supported primarily by UK institutional interest, with further demand from German investors, lead manager NatWest Markets said.

Irish Permanent tapped the floating-rate sterling sector last year, and the proceeds from yesterday's offering will be used partly to repay a US dollar syndicated loan also launched last year, the lead manager said.

There is currently firm demand for dollar issues, especially in the three-year area, a syndicate official at NatWest markets said. Other building societies in particular are keen buyers of the three-year sector, he said.

The proceeds from the offering were believed to have been swapped into Irish punts.

Beijing Expressways, a special purpose vehicle created by the infrastructure financing arm of the Beijing municipal government, is expected to launch a three-tranche $460m offering later this week, lead-managed by Lehman Brothers. The offering will involve five-year, 10-year and 12-year bonds.

Also in the dollar sector, Banco Votorantim launched a $50m offering of three-year bonds, priced to yield 435 basis points over US government bonds, lead-managed by ING Bank.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Banco Votorantim	50	10.875#	98.52R	Nov.1997	1.00R	+435(6½%-97)	ING Bank
STERLING							
Irish Permanent‡	*100*	*(a)*	*99.83R*	*Dec.1997*	*0.08R*	-	*NatWest Capital Markets*

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ‡Floating rate note. R: fixed re-offer price; fees are shown at the re-offer level. a) 3-mth Libor +10bp.

Growth in rating agencies serving emerging markets

By Richard Lapper

The number of credit rating agencies in emerging markets has grown rapidly in recent months, according to a new Financial Times quarterly directory published this week*.

The publication lists for the first time in one publication more than 3,000 ratings assigned to emerging market debt issues by 10 international and 20 local rating agencies, many of which have been formed in the last year. Several other local agencies are beginning operations and the directory plans to expand its coverage in future issues.

"Regulators of emerging markets view credit ratings as an effective way of tackling problems of transparency in their jurisdictions," said Mr Peter Elstob, editor. "Investors have already taken on board political or country risks but this is the first time they have had access to local perceptions of the borrowers' credit risk."

Agencies including Standard & Poor's, Duff & Phelps and IBCA are active in providing technical support to the newer agencies.

Financial Times Credit Ratings in emerging markets cumulatively updated every three months. FT Newsletter Marketing, Southwark Bridge, London. Price £550 per year.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	90.7300	–	10.53	10.25	10.30
Belgium		7.750	10/04	–	–	–	8.55	8.58
Canada *		6.500	06/04	83.2500	–0.350	9.17	9.12	8.89
Denmark		7.000	12/04	87.1200	+0.020	8.99	8.95	9.06
France	BTAN	8.000	05/98	–	–	–	7.63	7.55
	OAT	5.500	04/04	–	–	–	8.34	8.21
Germany Treu		7.500	09/04	99.2600	+0.240	7.60	7.70	7.72
Italy		8.500	08/04	–	–	–	11.82	11.82
Japan	No 119	4.800	06/99	102.8070	+0.060	4.08	4.12	3.97
Japan	No 164	4.100	12/03	95.9820	+0.030	4.73	4.78	4.59
Netherlands		7.250	10/04	97.6000	+0.060	7.60	7.68	7.55
Spain		8.000	05/04	–	–	–	11.30	11.21
UK Gilts		6.000	08/99	90-04	+12/32	8.55	8.72	8.72
		6.750	11/04	87-14	+16/32	8.84	8.84	8.88
		9.000	10/08	103-05	+19/32	8.61	8.80	8.83
US Treasury *		7.250	08/04	95-21	–12/32	7.89	7.85	7.66
		7.500	11/24	93-26	–18/32	8.05	8.04	7.86
ECU (French Govt)		8.000	04/04	–	–	–	8.72	8.72

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime — Treasury Bills and Bond Yields

Prime rate	7¾	One month	4.53	Two year	6.91
Broker loan rate	6½	Two month	5.21	Three year	7.14
Fed.funds	4¾	Three month	5.22	Five year	7.57
Fed.funds at intervention	-	Six month	5.76	10-year	7.88
		One year	6.22	30-year	8.03

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) October 28

	Open	Sett.price	Change	High	Low	Est. vol.	Open int.
Dec	109.92	109.94	+0.26	110.26	109.68	128,214	134,146
Mar	109.20	109.14	+0.26	109.34	108.96	1,008	11,580
Jun	108.42	108.32	+0.24	108.50	108.42	172	1,251

■ LONG TERM FRENCH BOND OPTIONS (MATIF) October 28

Strike Price	CALLS Nov	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Nov	PUTS Dec	PUTS Mar
110	0.90	1.51	-	-	0.94	-	-
111	0.47	1.10	1.34	-	-	-	3.07
112	0.23	0.77	-	-	2.26	-	-
113	0.10	0.52	-	-	-	-	-
114	0.04	-	-	-	-	-	-

Est. vol. total, Calls 49,746 Puts 21,080. Previous day's open int., Calls 258,826 Puts 285,934.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	89.17	89.34	+0.21	89.50	88.95	86106	174294
Mar	88.34	88.54	+0.21	88.40	88.28	1342	6096

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Dec	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Dec	PUTS Jan	PUTS Feb	PUTS Mar
8900	0.94	0.84	1.11	1.24	0.80	1.50	1.57	1.70
8950	0.67	0.64	0.89	1.02	1.03	1.80	1.85	1.98
9000	0.46	0.47	0.71	0.82	1.11	1.93	2.17	2.28

Est. vol. total, Calls 8212 Puts 5911. Previous day's open int., Calls 204903 Puts 232561

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	99.85	100.09	+0.29	100.59	99.75	23441	57411
Mar		99.35	+0.29			0	5216

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Dec	CALLS Mar	PUTS Dec	PUTS Mar
10000	1.14	2.22	1.05	2.87
10050	0.89	2.01	1.30	3.16
10100	0.67	1.81	1.58	3.46

Est. vol. total, Calls 926 Puts 1491. Previous day's open int., Calls 25306 Puts 30440

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF) (Oct 31)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	87.37	86.84	-0.61	87.42	86.58	33.882	73,495
Mar	86.00	85.60	-0.05	86.00	86.00	107	107

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	100-16	101-07	+0-20	101-08	100-08	43682	108398
Mar	99-23	100-11	+0-21	99-23	99-23	5	47

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Dec	CALLS Mar	PUTS Dec	PUTS Mar
101	1-10	2-04	0-60	2-46
102	0-43	1-40	1-29	3-18
103	0-23	1-16	2-09	3-58

Est. vol. total, Calls 4588 Puts 2068. Previous day's open int., Calls 80421 Puts 43487

Ecu

■ ECU BOND FUTURES (MATIF) October 28

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	80.04	80.14	+0.38	80.34	79.82	1,321	6,515

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	98-11	97-29	-0-14	98-11	97-25	223,905	398,812
Mar	97-20	97-08	-0-15	97-20	97-04	2,457	28,475
Jun	-	97-03	-	-	-	88	11,260

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	108.00			108.17	107.97	1980	0
Mar	107.24			107.35	107.23	186	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Tue Nov 1	Day's change %	Mon Oct 31	Accrued interest	xd adj. ytd
1 Up to 5 years (24)	119.03	+0.07	118.94	1.39	9.83
2 5-15 years (23)	138.89	+0.41	138.32	1.73	11.00
3 Over 15 years (8)	156.05	+0.60	155.12	2.42	10.57
4 Irredeemables (6)	174.96	+0.08	174.83	0.06	13.47
5 All stocks (61)	136.20	+0.33	135.76	1.72	10.85
Index-linked					
6 Up to 5 years (2)	185.82	+0.07	185.69	0.41	5.07
7 Over 5 years (11)	173.10	+0.27	172.63	0.85	4.36
8 All stocks (13)	173.54	+0.25	173.10	0.81	4.41
Debentures and Loans					
9 Debs & Loans (77)	126.83	–0.20	127.09	2.41	8.29

Yields	Low coupon Nov 1	Low coupon Oct 31	Low coupon Yr. ago	Medium coupon Nov 1	Medium coupon Oct 31	Medium coupon Yr. ago	High coupon Nov 1	High coupon Oct 31	High coupon Yr. ago
5 yrs	8.63	8.69	6.19	8.65	8.71	6.41	8.84	8.89	6.54
15 yrs	8.52	8.57	7.06	8.66	8.72	7.20	8.89	8.94	7.38
20 yrs	8.47	8.52	7.14	8.56	8.72	7.24	8.76	8.82	7.40
Irred.†	8.55	8.56	7.23						

Index-linked	Inflation 5% Nov 1	Inflation 5% Oct 31	Inflation 5% Yr. ago	Inflation 10% Nov 1	Inflation 10% Oct 31	Inflation 10% Yr. ago
Up to 5 yrs	4.01	4.03	2.33	2.85	2.87	1.52
Over 5 yrs	3.87	3.89	3.13	3.68	3.70	2.95

Debentures and Loans	5 year yield Nov 1	Oct 31	Yr. ago	15 year yield Nov 1	Oct 31	Yr. ago	25 year yield Nov 1	Oct 31	Yr. ago
9 Debs & Loans	9.76	9.73	7.81	9.71	9.68	8.13	9.65	9.63	8.26

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Nov 1	Oct 31	Oct 28	Oct 27	Oct 26	Yr ago	High*	Low*
Govt. Secs. (UK)	91.08	91.04	91.21	90.58	90.08	102.68	107.04	89.54
Fixed Interest	107.64	107.74	107.31	106.84	107.08	124.13	133.87	106.50

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Oct 31	Oct 28	Oct 27	Oct 26	Oct 25
Gilt Edged bargains	80.2	72.7	81.1	90.9	87.8
5-day average	82.6	79.8	83.4	84.4	84.1

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or –	1994 High	1994 Low
[illegible]	4.79	7.41	73⅛	+⁵⁄₃₂	86⁵⁄₃₂	69¾
[illegible]	9.06	8.74	104⅝	+⅞	125⅞	101⅜
[illegible]	7.73	8.64	87⁵⁄₁₆xd	+⅜	105⅛	84⅜
[illegible]	8.59	8.62	99⅝	+½	100⅝	97
[illegible]	9.04	8.72	105⅛	+½	125½	102½

Index-Linked	Notes	Yield (1)	Yield (2)	Price £	+ or –	1994 High	1994 Low
2pc '96	(67.9)	2.79	4.17	199⅞	+⅛	203⅛	197⅛
4⅝pc '98‡‡	(135.6)	2.86	3.68	107⅞	+⅛	113⅜	106⅛
2½pc '01	(78.3)	3.43	3.85	165⅞	+⅛	176⅞	163½
2½pc '03	(78.8)	3.53	3.87	161½xd	+⅛	173⅝	159⅛

[illegible]

Other Fixed Interest

[illegible]

* Tap stock. ‡‡ Tax-free to non-residents on application. § Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on November 1

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	88	88¼	-⅛	8.53
United Kingdom 7⅛ 97	5500	100⅞	101	-⅛	6.79
Volkswagen Intl Fin 7 03	1000	93¾	94⅛		8.03
Abbey Natl Treasury 8 03 £	1000	91⅜	91⅝	+¼	9.52
Alliance Leics 11⅜ 97 £	100	105¾	106⅛		8.88

[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

COMPANY NEWS: UK

VSEL joins consortium bidding for Devonport

Bernard Gray, Defence Correspondent

VSEL, the Barrow-based submarine maker being fought over by GEC and BAe, has joined the DML consortium bidding for Devonport dockyard, which is due to be privatised next year.

The enlarged consortium's initial bid for Devonport was submitted to the Ministry of Defence at noon on Monday, just before bidding closed. DML currently operates Devonport on a management contract.

DML confirmed that VSEL *had joined the group. DML has* three shareholders – Weir, the pump-maker; BICC, the cable maker and Brown and Root, the US engineering company.

It is understood that the four members of the new consortium will each have a 25 per cent stake in Devonport if the bid is successful. Both GEC and BAe are thought likely to maintain VSEL's place in the consortium.

The tie-up between Devonport and VSEL comes because Devonport will refit all the Royal Navy's nuclear submarines from 1997. A full refit involves replacing most of the internal parts and has much in common with their initial construction.

A link between the two yards allows them to shift key personnel and manufacturing between refits and new submarine construction, depending on the workload.

Devonport has an annual turnover of about £260m with operating profits of about £12m. However, bids for the yard will take into account *environmental liabilities at the* site and the potential costs of further reductions in the workforce.

These liabilities are thought to be larger than the value of the company's potential earnings. As a result, negotiations will have to continue with the MoD to determine what liabilities come with the dockyard.

The amount of money raised for the government in the sale is likely to be very small. The DML bid is thought to be the only firm offer to have been made.

● GEC yesterday posted its offer document to VSEL's shareholders, recommending its £14 a share cash offer with a loan note alternative. GEC has also submitted evidence to the Office of Fair Trading arguing that its bid does not present competition difficulties.

The OFT would normally rule on such a submission within 21 days. If the OFT clears GEC's bid, City observers think the electronics giant could have control of VSEL *before the end of November.*

GEC's document says that the offer is at a 22.8 per cent premium to BAe's cash offer and a 14.4 per cent premium to its share offer.

VSEL's board has voted to hold an extraordinary meeting to change its articles of association to allow the GEC bid on the November 24. A similar meeting to authorise the BAe bid will be held on November 9.

Allied Domecq to lift Spain Alecq stake

By Richard Wolffe

Allied Domecq, the drinks group, said it would lift its stake in Spain Alecq, owner of the Domecq group, from 73 to almost 100 per cent.

The share deal is the result of a put option granted to the Domecq family when Allied paid £739m for control of Pedro Domecq, the Spanish drinks producer, in March.

Mr Ramon Mora-Figueroa, part of the Domecq family, said the £280.4m option would be exercised by December 30. *Mr Mora-Figueroa sits on* Allied Domecq's board with executive responsibility for Domecq.

Allied said the option had been exercised considerably earlier than expected. The option enabled the family to sell its 27 per cent stake in Spain Alecq within six years of the acquisition.

Mr Tony Pratt, director of Allied Domecq corporate affairs, said: "At the time, both parties thought it might be rather longer than this to exercise the put option. They have now chosen to do so and this is entirely due to their own circumstances."

The group said the price of the option was likely to be reduced because it included an element in US dollars. The final figure will not be announced until the option is exercised.

At the time of the Domecq acquisition, Allied claimed the deal made it the world's second largest spirits producer. The group has since embarked on a series of disposals to concentrate on spirits and wines.

Last week the group said it was negotiating the sale of its Dutch brewing subsidiary to Interbrew of Belgium.

Last month it announced the £74.3m sale of 641 pubs to *Scottish Amicable*, the insurer, and the pension fund of Strathclyde Regional Council, Scotland's biggest local authority.

Thames Water buoys up sector

Shareholders can expect generous pay-outs, writes **Peggy Hollinger**

This was always going to be a bumper year for water companies, as they reap the benefits of cost-cutting and enjoy the final stage of generous price limits set in 1989.

Yet, as Thames Water opened the sector's interim reporting season yesterday, it appeared this could be a bumper year for shareholders as well.

Thames Water's greater than expected 11 per cent increase in its interim dividend, and coyly optimistic views for the full year, have heightened even the most bullish pay-out expectations for the sector as a whole.

Previously, analysts had been looking for average dividend increases of about 8 per cent at the half-way stage and earnings growth of about 10 per cent.

Last night, the market appeared to have adopted Thames Water's argument that 11 per cent earnings growth justified an equivalent increase in the pay-out. Forecasts for interim dividend growth were revised upwards to about 10 per cent.

"Thames has acted as a pace setter," said one analyst. "Provided there isn't too much adverse reaction, some companies may feel comfortable raising the dividend more than they might have envisaged previously."

The rush to share the expected windfall helped to push up the sector's shares by about 2 per cent in a falling market. Some companies benefited significantly more than others from the improved sentiment.

Welsh Water was the clear winner, rising 29p to 667p. This company, which has the strongest balance sheet and highest dividend cover, is widely expected to beat the dividend benchmark set by Thames.

Ironically, Thames appeared to have been the loser, only one of two companies whose shares actually fell on the day. While some of this could have been due to continuing disappointment on the performance of non-core businesses, there was also the very clear indication that 1994-95 was something of an exceptional year.

"There is good reason to be wary of taking this as a sign of things to come," said Mr Bill Dale, analyst with SG Warburg, "with significant constraints re-emerging from next April" when the new pricing regime takes effect.

Other aspects of Thames' results are expected to echo through the interim reporting season, which continues with Anglian next week and ends with Wessex Water on December 20.

Water companies are expected to emphasise tight control of operating costs and lower capital expenditure. "The water sector now has the incentive and opportunity to outperform the deals set by Ofwat," said one analyst. "We should see the first indications that they will be able to do that."

The knock-on effect of cutting costs is almost certainly going to mean further exceptional charges for some companies. Welsh Water has already indicated charges of some £17m, with Yorkshire Water also likely to announce exceptionals.

South West Water, meanwhile, is forecast to provide about £2m for the costs of its appeal to the Monopolies and Mergers Commission over the price limits set by Ofwat. A further £2m charge is likely for job losses.

Diversification – or, rather, the failure of water companies to diversify successfully – will also be an issue. The water companies will be keen to emphasise the importance and performance of the utilities operations, to draw attention away from the lack of excitement in non-regulated businesses.

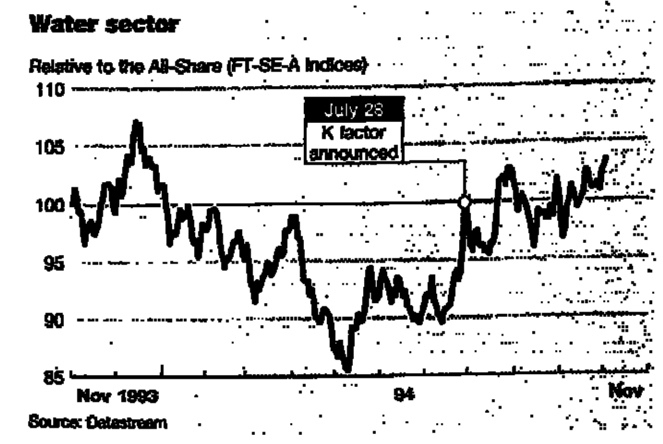
Finally, water companies may well have to address the accounting treatment of infrastructure renewals in the first set of results after the summer price review.

Since flotation, the water companies have been building up substantial provisions in their balance sheets to cover the costs of maintaining the pipe network. Yet it has become apparent that the initial annual index-linked charges may have been overly generous.

By calculating lower annual charges, the regulator saw the water companies could achieve higher profits. "Now the questions are, what is the right level of annual charge and how should the cumulative position be treated?" said Mr Robert-Miller Bakewell, of NatWest Securities.

Given the amount of provisions accumulated by many water companies – such as the £139.3m at Yorkshire Water – this is no insignificant issue. Mr Miller-Bakewell expects companies such as Yorkshire to credit the provision straight to shareholders' funds.

This brings us back to the view that shareholders are likely to get a good deal out of this set of results. In the longer term, however, investors should not ignore issues which are likely to overshadow the sector. Aside from the political risks presented by a possible change of government, there is the fundamental question of just how geared the water sector is to economic growth. "This sector, more than any other, has no real exposure to that," said Mr Dale.



BT international venture set for US telephone growth

By Andrew Adonis

Concert, the $1bn joint venture between British Telecommunications and MCI, the second largest US long distance carrier, is set to gain permission from US regulators to engage in a new form of transatlantic telecoms competition.

The US Federal Communications Commission approval would allow Concert to offer multinational customers a leased line telecoms service called "international simple resale".

This would open the way for Concert to provide multinational companies with cut-price transatlantic corporate telephone networks, which is a principal aim of the joint venture in its bid to develop international telecoms business for BT and MCI.

Until now the main focus of Concert has been international data services. It is starting to move into the higher-volume voice telephony market.

Concert is the cornerstone of the $5.3bn (£3.35bn) alliance between BT and MCI forged in mid-1993. It is in strong competition with two other international alliances – Worldsource, led by AT&T, the largest US operator and Atlas, a venture between Sprint, the third-largest US long-distance operator, and the state-owned telecoms companies of France and Germany.

Concert has gained more than 30 corporate customers for advanced international services since its launch. Analysts regard the joint venture as ahead of its rivals in terms of service availability.

AT&T is set to gain a licence in the UK to offer similar services to those planned by Concert. Its Worldsource partnership includes leading national carriers in Europe and the Asia-Pacific region.

The agreements by Deutsche Telekom and France Telecom to take stakes in Sprint have yet to secure regulatory approval in the US and EU.

Marks to cut holding in French Connection

By Peter Pearse

Mr Stephen Marks, founder and chief executive of French Connection, is cutting his stake in the fashion company from 75 to 65 per cent.

He is selling 329,000 shares and the company is making a placing to raise £4.53m net.

NatWest Wood Mackenzie, the company's broker, is placing 2.02m shares with institutions at 233p, the same price at which Mr Marks is selling. The shares rose 1p yesterday to 244p.

Mr Nicholas Mather, finance director, said that for the group to move up from the USM to the main market – expected within 18 months – 25 per cent of the shares had to be held outside the company.

There was a need to "normalise the capital structure and strengthen the balance sheet", he added. Further, the institutional shareholder base needed rebuilding.

Mr Mather said that at some point French Connection was going to have to repay Mr Marks £3.55m, which he loaned to the company in two tranches. In 1989 he lent £1.55m as a condition for the company's bankers supporting a rescue plan. In 1992 he advanced a further £2m as part of new banking facilities.

Now that French Connection had recovered – in the six months to July 31 pre-tax profits rose 53 per cent to £3.07m on turnover up 14 per cent at £34.7m – the board decided it should not delay making the repayment, especially as interest on the second tranche became payable in April 1994.

Jarvis announces plan to 'restore fortunes'

By James Whittington

Jarvis, the lossmaking building, civil engineering and property group, yesterday announced a new senior management team, an acquisition, and a strategic plan which it hopes will help restore its fortunes.

The group has been plagued with problems, especially in the construction sector, and has reported substantial losses in the past two years.

The results for the six months to June 30, reported yesterday, showed pre-tax losses increasing from £630,000 to £2.98m on turnover £1m lower at £35m. Losses per share were 8.2p (2.8p).

Mr Harold Bard, the chairman, said the newly-appointed management team would shift the group's focus from large road contracts to specialist packages in the water, sewage and waste sectors, and university and health projects.

The change in management is tied to the acquisition of the outstanding 50.1 per cent of Jarvis Projects, set-up in June as a joint venture between Jarvis and Mr Paris Moayedi, who will become chief executive of the combined company.

Alongside this, 2.5m new shares will be bought by the new executives – Mr David Freeborn, Mr Robert Kendall, Mr Henry Lafferty, Mr Andrew Sutton and Mr Moayedi – at 10p. Yesterday's closing price was 10¾p, up ¾p.

Mr Roger Payton will become non-executive chairman in place of Mr Bard, who remains an executive director.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
BP	int	2.5♥	Feb 6	2.1	-	8.4
Powerscreen	int	2.2	Jan 30	2	-	7.3
Rexmore	int	1.3	Jan 20	1	-	2.5
Safeland	int	0.86	Mar 7	0.6	-	1.39
Thames Water	int	8.2	Feb 3	7.4	-	22.5
Westbury	int	1.9	Jan 5	1.75	-	5.25

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ♥Third quarter making 7.5p to date.

First Leisure venture with BAe

By Michael Skapinker, Leisure Industries Correspondent

First Leisure has formed a joint venture with British Aerospace to run two marinas. It said the move was the beginning of an expansion of its marina business.

First Leisure and Arlington, British Aerospace's property subsidiary, will each have a 50 per cent interest in Associated Marinas. The company will run the First Leisure marina in Chichester and the British Aerospace marina at Port Solent, Portsmouth.

First Leisure will receive £5.9m in cash from Associated Marinas, which will finance the payment by borrowing. It is understood BAe will receive what is described as "only a small amount".

First Leisure said its discotheques division had had a strong year, with sales up 12 per cent and spend per head rising 2 per cent.

Resorts enjoyed a 9 per cent sales increase.

Bowling sales in September and October were at the same level as last year but on a like-for-like basis were down 13 per cent over the year.

New bowling centres and the recently acquired health and fitness centre in Bracknell, however, helped lift sales in the bowling and health sector by 13 per cent.

Bingo sales rose by 3 per cent, with spend per head rising 6 per cent.

The group said it would revalue a third of its property portfolio each year, instead of dealing with the entire portfolio once every three years. Pre-opening expenses will now be depreciated over 12 months from the start of trading rather than over five years.

This will reduce pre-tax profits for 1992-93 and 1991-92 by about £1m in each year. The impact on this year's profits would be smaller, the company said.

Analysts expect pre-tax profits of about £36m this year.

Rexmore expands 22% to £838,000

Rexmore, the upholstery supplier, reported a 22 per cent increase in interim pre-tax profits from £688,000 to £838,000.

Turnover, for the period to October 1, was little changed at £15.3m compared with £15.5m.

Operating profits showed a 6 per cent improvement to £962,000 because of tight cost management, the directors said, while interest payments were almost halved, from £219,000 to £124,000.

Earnings per share were 4.07p (4.44p) while the interim dividend is 1.3p (1p).

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 02.11.94 Pool purchase price £/MWh	Final Prices for Trading on 03.10.94 Pool purchase price £/MWh	Pool selling price £/MWh
0030	27.35	10.20	10.20
0100	27.35	10.10	10.10
0130	27.35	10.20	10.20
0200	27.35	8.98	10.78
0230	27.35	8.98	10.78
0300	27.35	8.98	10.78
0330	27.35	8.98	10.78
0400	9.30	10.20	10.20
0430	9.30	10.20	10.20
0500	9.30	10.20	10.20
0530	9.30	13.48	15.29
0600	9.30	13.48	15.29
0630	9.30	16.47	18.29
0700	28.21	22.35	24.18
0730	28.13	17.07	19.09
0800	31.75	25.02	27.37
0830	31.38	33.68	36.04
0900	32.92	33.71	38.23
0930	33.17	24.48	26.84
1000	44.60	25.07	27.40
1030	44.61	24.78	27.06
1100	44.60	23.69	25.89
1130	44.61	23.71	25.90
1200	44.62	23.77	25.98
1230	44.61	23.51	25.65
1300	44.60	23.10	25.13
1330	32.92	20.69	22.61
1400	32.92	20.55	22.44
1430	32.92	20.49	22.38
1500	39.86	20.48	22.35
1530	39.88	20.53	22.41
1600	35.39	20.72	22.66
1630	50.41	21.15	23.21
1700	83.83	29.30	31.30
1730	121.89	29.01	31.06
1800	115.70	28.62	30.58
1830	84.75	11.75	11.75
1900	48.65	41.08	43.65
1930	43.74	41.40	43.94
2000	40.08	40.79	43.19
2030	38.20	34.64	36.79
2100	38.17	18.04	19.89
2130	31.75	16.80	18.63
2200	28.21	16.57	18.39
2230	28.13	16.57	18.39
2300	28.21	16.40	18.21
2330	27.89	16.25	18.06
2400	9.22	10.40	10.40

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £10.60/MWh becomes 1.060p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. [illegible]

Employees to sell part of shareholding in placing before end of year

Clydeport to float with £60m tag

By James Buxton, Scottish Correspondent

Clydeport Holdings, the privatised port operator on the river Clyde, is to come to the stock exchange via a placing before the end of the year.

The flotation is expected to value the company at between £50m and £60m.

Clydeport was formerly the Clyde Port Authority, operating the ports of Glasgow, Greenock and Ardrossan.

It was acquired for £26m by its management and employees – led by Mr John Mather, now executive chairman – in March 1992 as part of the government's disposal of trust ports.

Its wish to float then was thwarted by the abrupt drop in traffic caused by British Steel's closure of the Ravenscraig steelworks at Motherwell.

The company has since been reorganised and invested £10m – with half contributed by the European Union – in upgrading facilities.

Last year it purchased the Hunterston bulk terminal from British Steel for £4.8m, enabling it to start a large coal shipment business.

Clydeport made pre-tax profits of £2.4m on sales of £11.8m in the year to December 31 1993. This year it expects to make £4m on turnover of £16m.

The company is 67 per cent owned by its management and employees and their families. Montagu Private Equity holds 28 per cent and 3i 5 per cent.

Management and employees may sell up to a third of their holdings in the placing.

Montagu Private Equity will retain only 6 per cent after flotation but 3i intends to retain its entire stake.

The company is assessing institutional demand for its shares.

Clydeport is also to raise £5m through an issue of new shares to redeem £2.5m of preference shares and provide cash.

The company has property holdings, including a site at Yorkhill in Glasgow which has outline planning consent.

But, Mr Mather stressed, "ninety per cent of our business is ports".

The flotation is sponsored by Allied Provincial.

Dr Ian Preston, chief executive of ScottishPower, and Mr James Millar, former chairman of William Low, are joining the board as non-executive directors.

Receivers called in at Peter Storm

By Nigel Clark

Peter Storm Group, the Nottingham-based leisure wear manufacturer, has called in the receivers after three years of losses.

Mr Philip Baldwin, a partner at Price Waterhouse in Birmingham, said he was reasonably optimistic about being able to find a buyer for the group, famous for its brightly coloured all-weather clothing. Its brands include Peter Storm, Noel Bibby, Clare Morris (UK) and Keighley Special Finishers.

"We are now opening up the books and advertising to see if there is any interest," he said. "By the end of November we should have a better idea of the situation."

He said that in recent years the company had been hit by imports from east Asia.

Despite an expanding market, sales had been static at between £2m and £3m.

"This is not a large company. In fact the name is probably bigger than the company," Mr Baldwin said. He added that Peter Storm might have to become more sales driven to make the best use of the brand.

Housing recovery helps Westbury advance 55%

By Christopher Price

The continuing recovery in the new housing market helped Westbury, the Cheltenham-based building group, lift pre-tax profits 55 per cent in the six months to August 31.

The advance, from £3.7m to £5.76m, came on sales up 14 per cent at £80m (£70m).

Mr Richard Fraser, chief executive, said that the more stable market conditions were enabling the company to achieve its growth targets. The average selling price rose from £60,000 to £63,000 over the year, although this was mostly due to the group selling larger properties.

"Interest has picked up, but is still limited," said Mr Fraser. He added that worries about employment and interest rates were subduing prices. "There is minimal house price inflation at the moment," he said.

Richard Fraser: growth targets met in more stable market

Cost pressures, which had been prominent at the beginning of the year, had eased. Mr Fraser estimated that material and labour costs were up by about 5 per cent year-on-year.

Westbury's land bank with planning permission remained stable at 6,400, with the purchase of more than 1,100 plots at an average price of £14,200. Stiff competition in the land market had prevented further replenishment. However, the strategic land development stock had risen by 800 plots to 5,300 since the year-end.

The interest charge jumped from £455,000 to £817,000, while there was also a £700,000 leap in the tax charge to £1.93m. Earnings per share rose 57 per cent to 5.8p (3.7p).

The interim dividend goes up 0.15p to 1.9p. Mr Fraser said he would be disappointed if the full-year figure was not increased as well.

Beverley losses deepen to £1.73m

By Joan Gray

Beverley, the engineering group which has had its shares suspended since July while it attempts to negotiate a refinancing, announced increased pre-tax losses for the six months to June 30 up from £929,000 to £1.73m.

Beverley's 1993 accounts were qualified as the auditors were unable to confirm that the group had sufficient working capital. The unaudited interim accounts carry a disclaimer stating that the auditors were unable to form an opinion as to whether the accounts gave a true and fair view.

The pre-tax loss included three exceptionals.

The first was a £500,000 charge for estimated costs incurred in connection with the failed acquisition of the Pegasus Boiler Company.

The second exceptional was a loss on the disposal of Beverley Avonside of £25,000. This includes a goodwill write-off of £110,000.

There was also a £70,000 provision for reorganisation costs.

Turnover was down from £6.46m to £2.84m. Continuing operations contributed £2.8m (£4.35m), but the company warned that the continuing figure included turnover of £502,000 and £362,000 attributable to two companies which were disposed of in October, Engineering Surveys Reproduction and Beverley Management Services.

This will give rise to a loss on disposal of £687,000, including an adjustment of £753,000 for writing off goodwill, for which no provision has been made at the interim stage.

Mr Colin Robinson, chairman, said the company was currently "in negotiation with a number of interested parties" concerning refinancing.

"The future of the group is totally dependent upon the satisfactory outcome of such negotiations and the suspension of dealings in Beverley's shares will continue pending the clarification of its financial position."

Losses per share deepened to 4.96p (2.67p).

de Morgan in second half loss

de Morgan Group, the property sector advice company, expects to be able to inform shareholders about its refinancing before the end of this month. The proposals are likely to include the raising of new equity and significant cost savings.

In July the company said it was considering its finances following the ending of talks about a large acquisition and fund raising, the costs of which were about £240,000.

de Morgan also reported it had fallen into the red for the second half of the year to April 30 and expected losses for the six months to October 31. However, following the summer period activity had increased and the directors thought the results would show a significant improvement in the next few months.

For the year pre-tax profits were £11,000, against losses of £258,000, following profits of £24,000 at the halfway stage. Turnover rose 22 per cent to £2.33m (£1.91m).

Earnings per share were 0.02p (losses 0.54p).

Shoprite £4.8m disposal

Shoprite Group, the retailer and property investor, has sold two office buildings for a total of £4.8m cash to Arkle Estates. The two properties on the Isle of Man had a total book value of £4.85m and generated rental income of £323,000 in 1993.

The funds will be used to cut bank borrowings.

Shoprite Finance, the subsidiary created to provide finance to its parent, reported pre-tax profits of £816,000 for the period from January 25 to July 1. After tax and preference dividend payments retained profit was £1,000.

MONTHLY AVERAGES OF STOCK INDICES

	October	September	August	July
FT-SE Actuaries Indices				
100 Index	3046.8	3098.3	3178.5	3036.6
Mid 250	3498.3	3643.9	3736.8	3537.1
350 Share	1529.4	1564.2	1604.5	1529.6
Non-Financial	1639.72	1680.38	1726.77	1642.28
Financial Group	2137.44	2181.71	2197.58	2129.92
All-Share	1516.66	1553.97	1591.47	1517.70
Eurotrack 100	1317.95	1358.50	1379.19	1347.82
Eurotrack 200	1374.17	1405.56	1430.90	1385.41
FT-A World Index	177.11	177.99	178.75	183.94
FT Indices				
Government Securities	90.99	90.68	91.86	92.87
Fixed Interest	107.71	107.72	110.02	110.84
Ordinary	2342.3	2404.6	2485.9	2370.7
Gold Mines	2248.63	2230.08	1963.17	1931.55
SEAQ Bargains(5.00pm)	23,105	25,608	29,402	23,977

	Highest Close Oct	Lowest Close Oct
FT-SE 100	3141.9 (13th)	2958.3 (5th)
FT-SE Mid 250	3556.6 (13th)	3429.2 (5th)
FT-SE 350	1572.3 (13th)	1487.7 (5th)
FT-A All Share	1556.84 (13th)	1477.82 (5th)
Ordinary	2412.2 (13th)	2286.9 (5th)

Integration of acquisitions and tight controls boost figures

Powerscreen rises 12% to £14m

By Christopher Price

Powerscreen International, the manufacturer of screening and stone crushing equipment, reported a 12 per cent rise in pre-tax profits from £12.6m to £14.1m for the six months to the end of September.

Turnover advanced 41 per cent to £84m (£59.4m), including £2.98m from acquisitions. During the period, Powerscreen continued its ambitious string of purchases, paying £17.1m for Benford from BM Group, a manufacturer of dumpers and rollers used in the construction and plant hire industries.

Mr Shay McKeown , chief executive, said that the improvements had been achieved by the successful integration of its latest purchases and an adherence to tight control measures.

"The exchange rate was against us as well, so under the circumstances we think these are very good results," he added.

The shares, however, fell 13p to 282p.

Operating profits in the screening division rose 12 per cent to £9.5m (£8.5m) on turnover up 36 per cent to £40.8m, compared with £29.9m. The figures included contributions from Simplicity Engineering and Ludlow-Saylor bought in February.

Mr McKeown said the acquisitions had diluted profit margins but had enabled the group to be better positioned in a larger number of markets.

Firmer UK sales in the crushing and recycling business helped profits rise 6 per cent to £2.58m (£2.44m) on turnover 13 per cent ahead at £17.7m (£15.7m). European sales, however, were disappointing.

The Benford added £3m to the turnover in the materials handling division which rose to £25.5m (£13.8m). Profits jumped 36 per cent to £1.93m (£1.42m).

Earnings per share were up 13 per cent to 12.2p (10.8p). The interim dividend rose 10 per cent to 2.2p (2p).

Mr McKeown said the outlook was encouraging. "We have a strong order book and the investments we are making should ensure continued growth."

● **COMMENT**

The market has replaced worries over Powerscreen's accounting policies with more real concerns over whether the group's markets provide long-term profit growth. Having changed its accountants, and increased its disclosures, the group is also working hard at widening its markets, with much effort being put into east Asian operations. Profit forecasts for the full-year are little changed at about £28m, which gives earnings per share of 28.9p and puts the shares on a prospective p/e of 12, a slight discount to the market. If Powerscreen can win the market's confidence, this seems a low rating for a company as consistent in producing profit growth.

RJ Kiln sets up 'employee trust'

RJKiln, the Lloyd's agency, has taken the unusual step of setting up an "employee trust" to own all the shares in the company on behalf of its workers, writes Raplh Atkins.

Mr Colin Murray, chairman, said the company believed it was the first in the City to make such a move.

The aim was "to ensure that all those responsible for the future success of the company should benefit from their efforts".

Those participating in the trust will be allocated a share of profit commissions earned during the time they are employed by the company and possibly for a limited number of years after their retirement.

Kiln, which employs about 300 people, manages nine syndicates in the Lloyd's of London insurance market.

Existing shareholders – mainly current or retired employees and their families – have been offered renumeration in the form of loan stock plus a coupon and an agreed share of profits over the next three years.

Diversifying out of lumpiness

Andrew Bolger on Vosper Thornycroft, the boat builder in the south

The battle between British Aerospace and GEC for control of VSEL, the Cumbria-based submarine maker, is causing some irritation in the boardroom of Vosper Thornycroft.

For the Southampton-based boat builder believes the takeover struggle has overshadowed the fact that Britain still has a warship company on the south coast – in addition to VSEL's Barrow yard and GEC's facilities at Yarrow on the Clyde.

And just to underline the point, Mr Martin Jay, chief executive, last week had marks drawn on the floor of the main construction shed at Portsmouth, showing it could accommodate vessels up to 6,000 tonnes.

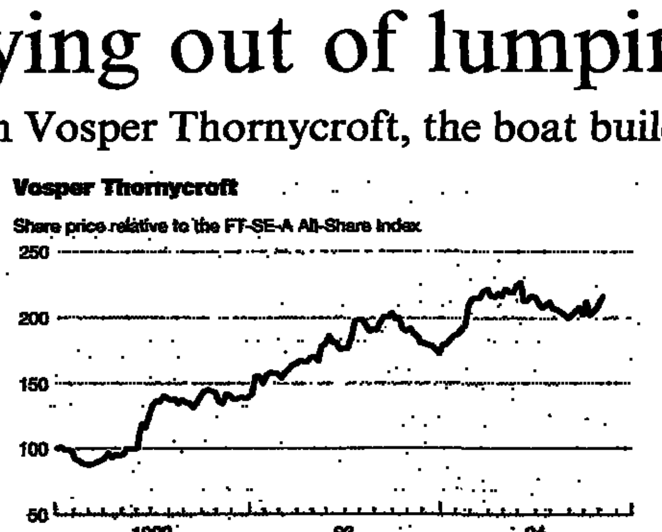
Vosper was being referred to solely as a builder of glass reinforced plastic (GRP) minehunters, corvettes and patrol craft, said Mr Jay.

These do indeed comprise the bulk of the 180 vessels which the yard has sold over the past 25 years to 30 navies around the world, but Vosper emphasises that it can also make steel ships up to the size of a frigate.

With net cash of about £200m, Mr Jay said Vosper had the financial strength to bond any of the projects in the current naval procurement programme for surface ships. Despite having an order book worth £600m and 14 vessels currently under construction, Vosper still has plenty of capacity.

Mr Jay said Vosper would also bid for vessels such as the new Royal Navy landing platform dock assault ship, which would be too big for the Southampton yard. If successful, the group would become prime contractor, but have the construction done elsewhere.

Although Vosper made no steel ships between 1988-92, it has recently invested £10m in a new module hall for steelwork construction and fitting. A laser cutting machine is linked by fibre optics to the yard's computer-aided design system, which has helped push up productivity and improve the quality and finish of individual components.



In spite of this investment and ambitious bidding plans, Vosper is also keen to build up the non-warship aspects of the group. These account for about 20 per cent of sales, compared with only 5 per cent two years ago. The chief executive said he would like to increase this proportion to between 30 and 40 per cent over the next two or three years.

Vosper's main priority is to win more business which is both small in scale and reliable, to help offset the unpredictable swings of warship orders. Mr Jay said: "To talk of diversifying out of defence is to miss the point – we're diversifying out of lumpiness."

Many of Vosper's diversification opportunities flow directly from its link to warships and the world's navies. As part of the training and support service offered with its vessels, the group runs a maritime training centre at Portchester, near Portsmouth, which can accommodate 300 people.

Some trainees come from HM Customs and the Royal Fleet Auxiliary, but most serve in the Middle Eastern navies which are Vosper's main customers. This has led the company to establish an adjacent Arabic school for their children, which can accommodate 70 pupils.

The maritime centre has developed computer-based training for naval personnel, which is much cheaper than simulators. Its expertise at writing software has been utilised to devise a training scheme for British Rail maintenance engineers, which will be used in BR depots throughout the country. The centre will also soon take delivery of a new armoured vehicle from GKN, the engineering group, to train personnel from a Middle Eastern country.

Vosper's biggest opportunity to diversify is probably offered by the government's market-testing initiative. Mr George Cameron, managing director of Vosper's systems, said the group could be bidding for contracts worth up to £1bn over the next 18 months. These include the Navy's maritime services operation, which employs nearly 2,000 people and operates 200 support vessels – such as tugs and lighters.

Vosper recently won a three-year contract for the Ministry of Defence's Record Data Centre, which records all the parts and plans for the Royal Navy's surface ships on computer and fiche. It also has a five-year contract to operate marine services craft in support of the RAF.

Back at the Southampton yard, Mr Mike Davidson, managing director of engineering services, said: "We are looking outside to see what we can do with our existing facilities for industries other than shipbuilding."

So far the group has identified the nuclear and transport industries as potential customers. It has built a fuel-rod handling machine and fuel store for BNFL at Thorp and is also making GRP bumpers, under licence, for trams in Strasbourg.

Having acquired a few business for about £1m each, Vosper said recently it was prepared to buy one or more companies at about the £20m level to increase the pace of its diversification.

The biggest deal to date was the £8.6m purchase in April of HSDE, a maker of electronic control and monitoring systems.

Vosper was sold by British Shipbuilders to a management team in 1985 for £18.5m and came back to the market in 1988, valued at £49m. Its current market value of £236m reflects the uprating which the shares have enjoyed in the last three years, due mainly to the group's strong export position.

About 95 per cent of Vosper's warship orders are exported and the group's focus on minehunters and patrol craft – selling to the Middle East and east Asia – has insulated it to a large extent from the downturn in defence spending by former cold warriors.

Such a strong export order book might well be attractive to BAe – or even GEC – as the UK defence sector enters what could prove its final phase of consolidation. However, Vosper shares trade on a comfortable premium to the market and the company would prove an expensive proposition to predators.

Mr Jay said: "We've done well in recent years as an independent company and it's our strategy to remain so."

Huntingdon fails to sell Travers and US business

By James Whittington

Shares of Huntingdon International Holdings fell 21p to 44p yesterday after the life sciences group announced it had failed to sell Travers Morgan, its UK-based consultancy, and its engineering and environmental services business in the US.

Huntingdon said the annual results, to be published in December, were expected to suffer from the costs of the abortive sales and provisions to turn the businesses round. One analyst said that was likely to send the group into the red.

In May the group announced that it planned to focus on its life sciences business, having concluded that the other divisions did not have the earnings prospects originally envisaged. It called in Kleinwort Benson, the investment bank, to help with the sale of the businesses. But no purchase could be concluded, forcing the management to consider other options.

Mr Christopher Cliffe, deputy executive chairman, described the news as "very disappointing". He said Huntingdon was making a huge effort to return both groups to profitability. This would include the closure and sale of offices and job losses.

Travers Morgan is an international consulting firm specialising in engineering, management, transport and environment with a workforce of 850. Its profits fell from £1.23m to £343,000 in the six months to June. The US businesses employ 1,750 people and recorded an operating loss of £388,000 in the first half.

In the nine months to June 30, group pre-tax profits fell from £4.34m to £1.26m, while revenue, net of subcontracts, fell from £115.6m to £109.2m.

Former chief executive sues NFC for £1.3m

By Charles Batchelor, Transport Correspondent

Mr Peter Sherlock, former chief executive of NFC, the transport and logistics group, is suing the company for £1.3m compensation for loss of office.

Mr Sherlock left the group in August after only 18 months in the job, apparently because of a clash of management style with the "old guard" of management.

He was on a three-year rolling contract which included a salary payment of £254,000 in 1993 and a pension contribution of £82,000.

The claim for £1.3m is understood to be higher than he could have expected under his contract.

NFC confirmed that it had received a writ from Mr Sherlock. This followed unsuccessful negotiations over the level of compensation and an offer which was rejected.

Mr Sherlock was the first outsider to be brought into NFC at top management level. He instigated a strategic review, merging two of its largest subsidiaries and announcing plans to focus on more profitable lines of business. But investors were disappointed at the pace of change.

Celsis deeper in red after heavy research spending

By Tim Burt

Celsis International, the biotechnology company which raised £12.4m from its flotation last year, reported sharply increased first half losses following a threefold rise in research spending.

The specialist manufacturer of contamination detection equipment endured pre-tax losses of £2.23m (£561,000), as research and development costs rose from £307,000 to £963,000 in the six months to September 30.

Heavy spending on new products – used mainly for testing food, cosmetics and drugs – helped drain the group's cash balances, which fell from £12.3m to £8.63m.

While reluctant to give an annualised figure for rate at which it uses reserves, Mr Mark Clement, finance director, said the group used up £650,000 last month.

Mr Clement however, sought to distance itself from other biotechnology companies faced with the challenge of clinical trials by pointing out that its products were either already available or close to launch.

Sales of existing products helped lift turnover from £79,000 to £302,000 while gross profits reached £183,000 (£63,000).

Although losses per share rose from 1.05p to 3.7p, the company is expected to move into profit by 1997.

Predicting a sharp growth in demand for the group's products, Mr Arthur Holden, chief executive, said it could capture a sizeable slice of a market likely to be worth $7.99bn (£5.05bn) by the end of the decade.

"Most of our competitors are small, under-capitalised, one-technology companies. We can exploit an under-developed market."

It has signed collaborative deals with companies such as Wellcome, Merck and Colgate Palmolive for equipment designed to reduce manufacturing costs by speeding up the testing process.

Scotia has high expectations of OTC calcium supplement

By Tim Burt

Scotia Holdings yesterday became the latest biotechnology company to hail the potential of a new treatment developed using funds from its recent flotation.

The company, which raised £37m when it came to the market last October, said Efacal – its over-the-counter calcium supplement – would prove an effective remedy for osteoporosis in a global market worth an estimated £50m a year.

It also has high hopes for EF40, its single-compound prescription treatment for the illness, which could exploit a market put at £300m if clinical trials prove successful.

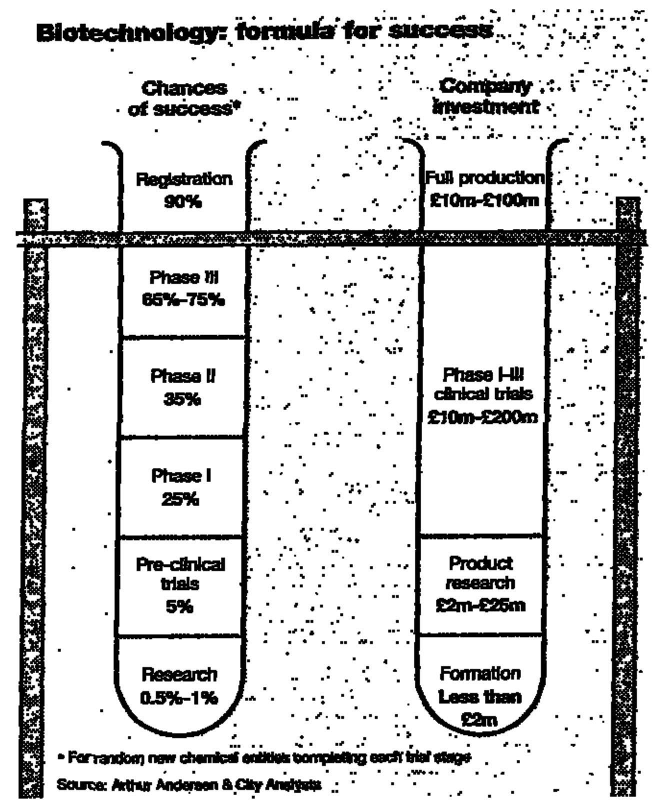
Mr David Horrobin, chief executive, warned the drug could cost another £5m before it reached launch stage – at least five years from now.

Scotia's announcement followed claims on Monday from British Biotechnology, one of the sector's leading companies, that its new cancer treatment had shown promise in first clinical trials.

Celltech, another rival, said last week it had made a breakthrough in Phase Two trials for its latest anti-arthritis drug.

Such statements have helped lift the share price of all three companies, with Scotia closing up 3p at 263p.

The industry, however, has been unsettled in recent weeks by US biotechnology companies reporting the failure of drugs in the latest stages of clinical development, which is supposed to involve the least risk.



BP up 23% to £415m on higher volumes

By Robert Corzine

British Petroleum reported a 23 per cent increase in third quarter replacement cost profits to £415m, with continued cost-cutting being boosted by rising sales volumes, taking the figure for the nine months to September 30 to £1.06bn.

Mr David Simon, chief executive, said it was the best quarterly performance since the first quarter of 1991, when crude oil prices were considerably higher than the current range of $16-$17 a barrel for the benchmark Brent Blend.

The shares, however, closed 9p down at 426p.

Third quarter earnings per share rose to 7.6p, compared with 6.1p in the second quarter and 6.2p a year ago. But the quarterly dividend of 2.5p remains unchanged.

Mr Simon said the results, which were above most analysts' expectations, were "pretty encouraging". The dividend policy would be "re-considered at the end of the fourth quarter on the basis of the full-year performance".

Healthy net cash inflows from operating activities of £1.17bn for the quarter and disposal proceeds of $581m (£368m) enabled the company to cut its debt by $675m to $10.4bn at the end of the quarter, according to Mr Steve Ahearne, finance director. Debt has been cut by about $6bn since its peak in 1992.

Gearing fell to 60 per cent, against 70 per cent at the halfway stage. The company is not aiming at a gearing target, according to Mr Simon, but it still wants to see debt below the $10bn level set in 1992.

The sale of BP Nutrition earlier this year marked the end of the company's big disposal programme of non-energy assets. The sale of some minor assets should result in proceeds for the full year of about $1.25bn, Mr Ahearne said.

Safeland trebled to £1.09m

Pre-tax profits at Safeland, the property trading and investment company, more than trebled in the six months to September 30, from a restated £327,000 to £1.09m.

Turnover showed a similar increase, from £4.78m to £14.6m. Mr Ray Lipman, chairman, said the results reflected the confidence that had returned to the market in early 1994, particularly in the residential sector.

Trading opportunities were running "at healthier levels than we have seen for a number of years", he added.

Six retail investment properties were purchased during the half-year, increasing the value of the investment portfolio from £7.06m at the year end to £10.4m.

Net asset value per share rose to 33.5p (32p). Earnings per share came out at 2.89p (1.05p). The interim dividend is 0.86p against 0.6p.

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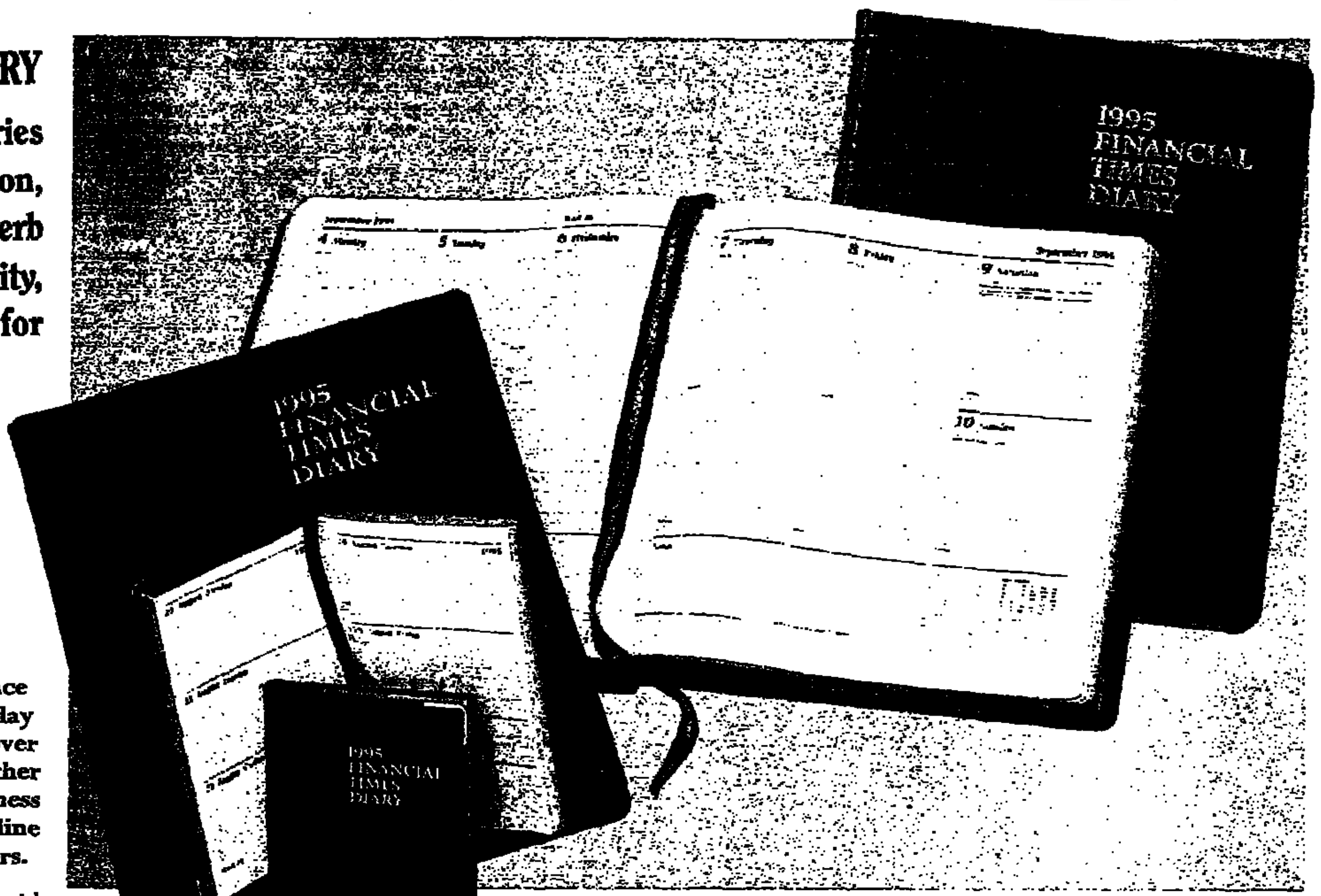

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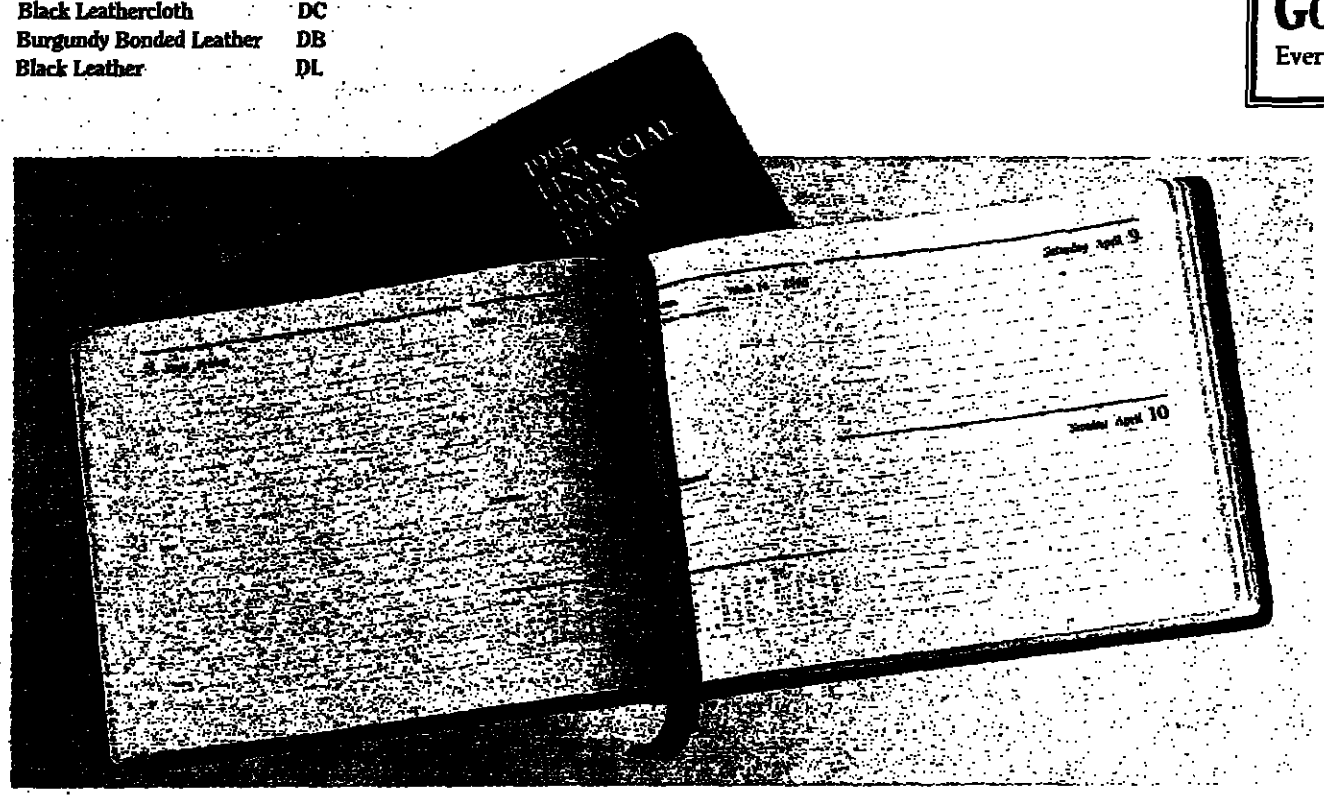

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Fresh highs reached at London Metal Exchange

By Kenneth Gooding, Mining Correspondent

Investment funds and speculators returned in force to the London Metal Exchange yesterday to send most base metals prices to fresh peaks. Only aluminium failed to beat the previous high in the present buying spree, but its price still closed last night $46 above Monday's level at $1,855.50 a tonne for delivery in three months.

Copper moved above $2,700 a tonne for the first time in four years, helped by weakness of the US dollar, which is making dollar-denominated LME prices look cheaper in terms of other currencies. Traders said that buying from the Far East yesterday helped to lift copper values.

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	-34,800	to 2,024,375
Aluminium alloy	+140	to 25,680
Copper	-1,975	to 333,100
Lead	-1,375	to 369,775
Nickel	+558	to 149,820
Zinc	-1,200	to 1,210,100
Tin	-75	to 30,265

The nickel market reached the highest price levels for two and a quarter years, as did the lead market, while tin climbed to a 20-month peak. Even zinc, which at the begining of this year was thought by many analysts to be the LME metal with the most negative fundamental outlook, rose above $1,150 a tonne to reach a two-year peak.

Mr Angus MacMillan, research manager at Billiton Metals, part of the Gencor group, explained that there was a growing perception among investors that the tide was turning for the zinc market.

Even so, the market was expected to see a 283,000-tonne supply surplus this year. If the announced output cuts held, however, there might be a 250,000-tonne deficit in 1995, if Billiton was correct in its forecast that demand for the metal would grow by a "hefty" 5 per cent.

On that basis Billiton was forecasting that the average zinc price for next year would be about 55 cents a pound ($1,212 a tonne). But Mr MacMillan warned that it would not take much to wipe out the predicted supply deficit, so much depended on production cuts staying in place.

Car makers seen leading aluminium demand surge

By Kenneth Gooding

Growth in demand for aluminium to the year 2,000 will be substantially faster than in the past seven years, driven particularly by consumption in Asia and by the automotive industry, according to Mr Jacques Bougie, president of Alcan, the world's second-largest aluminium producer.

However, demand growth for primary, or new, aluminium is forecast by Alcan to rise only at the same rate as in the years 1986-93. "Recycling, particularly of beverage cans and cars, will play an increasingly important part in metal sourcing to meet demand in future," Mr Bougie predicts.

"Star performers" in future, the Alcan analysis suggests, will be the Asia region, including a Japan recovering from recession, where annual aluminium consumption growth is expected to be twice as fast as in the maturing North American market. Growth in Europe and South America is also predicted to outpace that in North America. But North America will remain the biggest individual market for some years to come.

Average Annual Demand Growth (per cent)

	1993-2000	1986-1993
By Region		
North America	1.9	1.4
South America	5.8	2.1
Asia	5.3	6.5
Europe	4.0	2.5
Western World		
Total	3.9	2.9
Primary	2.6	2.6
By End-Use		
Building	2.7	2.5
Cans	3.6	4.3
Transport	4.5	3.9

Source: Alcan

Alcan is forecasting that demand for aluminium in cars will grow at an annual 6.5 per cent until the year 2000. Mr Bougie says much of that growth will come from the increased use of castings which already constitute 70 to 80 per cent of the weight of aluminium in the average car. "Further significant growth may come after the year 2000 when aluminium body structures are adopted for mass-produced cars," he suggests.

Mr Bougie says that at present it is not possible to include the former Eastern European markets in the forecasts because data are not reliably available. But Alcan believes Russia's domestic consumption of aluminium in 1993 was only about 800,000 to 900,000 tonnes, with the 1.9m tonnes balance of its production being exported to the west.

Iron ore recovery forecast

By Nikki Tait in Sydney

Iron ore prices have reached their nadir, and should begin to edge up next year, according to a study released by Sydney-based AME Mineral Economics. It suggests a nominal one per cent increase in benchmark prices for fines in 1995, followed by rises of 5 and 6 per cent in the next two years.

This would reverse the trend of the past three years – when prices fell by 4.9 per cent, 11 per cent and then 9.5 per cent.

AME also suggests that there is potential for a more significant upswing in the price of premium lump ore, where supply constraints are tighter. Here, AME sees a rise of 4 per cent price in 1995, followed by 5 per cent in 1996.

The study argues that two factors will have a major bearing on world iron ore prices. The first is the decreasing dependance of Australian on its traditional Japanese customers, which could begin to undermine the annual globalised setting of iron ore prices through contract negotiations with the Japanese steel mills. The second is the premium placed on high-grade lump ore, which is favoured by many large steelworks.

Looking further forward, AME sees a gloomy future for the sector. Fast-growing Asian demand should sustain iron ore producers through to about 2005, it says. "In the longer-term, however, Asian regional requirements may not be sufficient to counterbalance increasing efficiency in steel-making, new technologies and the structural decline in traditional highly industrialised markets."

Turning to the supply side of the equation, AME says: "Although some high-grade deposits in Australia and Brazil are nearing exhaustion and their production rates will decrease, there are sufficient known reserves in every case not only to maintain but to increase production."

Jute mills scramble for supplies

India fears a shortage of high grade fibre, writes **Kunal Bose**

The Indian jute mills that have in recent years taken up production of high value jute goods and export quality yarn in a big way have rushed to Bangladesh to cover their requirement of superior grades of raw jute for the current season.

Even as India, the largest producer of jute and jute goods, harvests a much bigger crop than last year's the government and industry officials fear that there is going to be an acute shortage of the higher grades.

According to the industry officials, Indian mills have so far signed contracts for the import of 300,000 bales (180kg each) from Bangladesh. This season's Indian imports from that country could reach 500,000 bales, compared with about 300,000 in 1993-94. "We have, however, drawn a blank in Vietnam and China, which do not have any surplus of jute this year," says an official at the Indian Jute Mills Association. "Last year, we imported some fibre from Vietnam. Thailand is a net importer of jute."

Bangladesh is harvesting 5.5m bales of jute in the current year, up from 5.1m in 1993-94, and the quality of the crop has turned out to be highly satisfactory. As the country opened the season with stocks of 2.3m bales total fibre availability will be 7.8m bales. Indian industry official estimate that Bangladeshi mills will consume less than 3m bales, while the requirement at village level will be about 400,000 bales. So Bangladesh will have a plenty of exportable surplus.

According to the Indian Jute Development Council, the Indian jute and mesta crops in 1994-95 will total 8.9m bales and not 9.5m, as the industry and the trade earlier thought.

"Because of the high premium that jute and mesta fetched over the minimum prices throughout the last season, the farmers committed 957,000 hectares to the crop this year, against 892,000 hectares in 1993-94, says an official at the Directorate of Jute Development. "More land would have been brought under the crop had the weather been favourable during the sowing period."

Moreover, as some of the major jute growing centres like north Bengal and Bihar experienced drought when the crop was growing, the average is expected to decline to 1,860kg a hectare from 1,907kg in 1993-94. "The late harvesting of jute in many areas and the shortage of water for retting [soaking] are responsible for the deterioration in the quality of the Indian crop," according to the DJD official.

The official estimate is that inferior grades' share in the total will rise from 11.5 to 20 per cent in 1993-94. "Besides the shortage of superior grades of jute what is causing concern to the industry are the very high prices of fibre around this time of year when the mills build up stocks," says the IJMA official. "The mills should now be holding raw jute stocks equal to at least one and a half months' requirement. But their present fibre inventory can at the most sustain production for two weeks."

Though this is traditionally the peak marketing period for jute, the benchmark TD-4 grade is quoted at the unusually high price of Rs750 (£14.50) a quintal (100lb). Industry officials say the very low carryover into the current season and the "alarmingly low daily arrival of the crop in the village markets" are responsible for the prevailing high prices. The farmers, according to the Jute Balers' Association, are selling jute in small lots as they expect prices to go up as the season progresses. It is principally due to the high prices in India that the jute market in Bangladesh is ruling firm, in spite of a bumper crop.

'Tragedy' for Windwards bananas if Geest pulls out

By Canute James in Kingston, Jamaica

The banana industry in the Caribbean Windward Islands group will become "unstable" if Geest industries, which markets the islands' fruit, were to discontinue its interest in bananas, according to senior government minister in Dominica.

While the Windward Islands should not be "overly concerned" about reports in the UK press that Geest was considering its future in the banana business, a pull-out by the company "would create some instability and some sense of uncertainty on the part of our farmers", said Mr Brian Alleyne, external affairs minister of the island of Dominica.

The Windwards group, comprising Dominica, Grenada, St Lucia and St Vincent provides two out of every three bananas eaten in the UK. The four islands and Geest are at present negotiating a new contract for the marketing of bananas. The economies of the Windward Islands are heavily dependent on the banana trade.

"The banana industry has been examining a number of options, not only the Geest negotiations, but alternatives in the event that we cannot arrive at a satisfactory conclusion with Geest," Mr Alleyne said. Geest had been helpful to the islands in negotiations with the European Union over the marketing of bananas, and it would be "tragic, although not the end of the world for us. . . if the company were to significantly reorganise its banana marketing arrangements".

MARKET REPORT

Gold price slide halted

The London GOLD price was a shade firmer yesterday afternoon after a shaky morning spent in the aftershock of Monday's fund-driven sell-off. At $383.75 a troy ounce the price was still 75 cents down at the close, but that was 30 cents off the low.

Dealers said there was a sprinkling of fund buying to help the New York market firm in very light business. "A bit if physical interest has triggered some short-covering as well," one added.

"Once a floor is in place, we could see the investors coming back again," said another, adding that physical offtake alone would be insufficient to rally the market.

London Commodity Exchange COFFEE futures reversed an early rally as talk circulated that a new independent forecast for Brazil's 1995-96 crop might, like one by US banker Morgan Stanley, be far higher than most recent estimates.

Morgan Stanley forecast Brazil's 1995-96 crop at between 20m and 22m bags (60kg each).

That figure was well out of line with Brazil's own preliminary estimates of between 13m and 15m bags. But traders said that the market could not ignore rumours of that kind.

OIL prices rallied meanwhile as traders rushed to buy ahead of what they expected to be a bullish report on US primary oil stocks.

Market players said that the American Petroleum Institute was likely to report big falls in US petroleum products stocks, reflecting the impact of pipeline disruptions after widespread flooding in the Houston area.

Compiled from Reuters

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1832-3	1855-6
Previous	1787-8	1809-10
High/low	1834.5/1833	1859/1808
AM Official	1833.5-4	1856.5-7
Kerb close		1858-9
Open int.	260,352	
Total daily turnover	49,256	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1830-40	1865-70
Previous	1785-95	1820-5
High/low		1845
AM Official	1820-30	1855-65
Kerb close		1875-85
Open int.	2,765	
Total daily turnover	415	

■ LEAD ($ per tonne)

Close	661.5-2.5	678-9
Previous	653-4	669-70
High/low	661.5	680/671
AM Official	661-1.5	677-7.5
Kerb close		678-9
Open int.	43,539	
Total daily turnover	11,480	

■ NICKEL ($ per tonne)

Close	7415-25	7535-40
Previous	7195-205	7310-5
High/low	7415/7405	7545/7315
AM Official	7400-5	7520-5
Kerb close		7545-6
Open int.	67,725	
Total daily turnover	15,988	

■ TIN ($ per tonne)

Close	5980-90	6075-80
Previous	5870-80	5955-60
High/low		6090/5965
AM Official	5965-75	6055-60
Kerb close		6085-90
Open int.	18,895	
Total daily turnover	6,882	

■ ZINC, special high grade ($ per tonne)

Close	1135-6	1157-8
Previous	1105.5-6.5	1127-8
High/low		1163/1131
AM Official	1137-8	1159.5-60
Kerb close		1163-4
Open int.	103,494	
Total daily turnover	28,633	

■ COPPER, grade A ($ per tonne)

Close	2712-3	2696.5-7
Previous	2664-5	2649-50
High/low	2685/2694	2710/2655
AM Official	2694-5	2679-80
Kerb close		2707-8
Open int.	220,221	
Total daily turnover	75,713	

■ LME AM Official £/$ rate: 1.6382
LME Closing £/$ rate: 1.6330

Spot:1.6325 3 mths:1.6307 6 mths:1.6265 9 mths:1.6225

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Nov	126.80	+2.90	127.30	125.80	1,518	136
Dec	125.60	+3.00	126.36	124.05	40,278	5,630
Jan	124.80	+2.90	124.05	124.05	797	23
Feb	124.00	+2.85	124.80	122.50	575	1
Mar	123.20	+2.95	123.80	121.70	8,920	566
Apr	121.95	+2.80	-	-	695	6
Total					60,678	6,548

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	383.50-384.00	
Opening	383.20-383.60	
Morning fix	383.45	233.954
Afternoon fix	384.50	235.024
Day's High	384.30-384.70	
Day's Low	383.00-383.50	
Previous close	384.30-384.70	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.50	6 months	5.10
2 months	4.81	12 months	5.46
3 months	4.87		

Silver Fix	p/troy oz.	US cts equiv.
Spot	319.05	522.25
3 months	323.65	529.10
6 months	328.85	536.55
1 year	342.00	555.10

Gold Coins	$ price	£ equiv.
Krugerrand	385-388	235-237
Maple Leaf	394.20-396.70	-
New Sovereign	89-92	54-57

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Nov	384.3	+0.8	-	-	3	-
Dec	385.7	+0.8	386.5	384.3	86,459	59,771
Jan	387.4	+0.8	-	-	-	-
Feb	389.3	+0.9	390.0	387.8	21,049	2,523
Apr	393.0	+1.0	392.7	392.0	9,846	102
Jun	396.6	+1.0	397.4	395.8	9,835	276
Total					164,355	63,322

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Nov	420.5	+1.8	-	-	1	-
Jan	420.5	+1.8	422.5	417.0	19,138	6,109
Apr	424.9	+1.9	425.9	422.5	3,940	137
Jul	429.8	+2.1	430.5	427.5	1,292	2
Oct	434.5	+2.1	-	-	446	-
Jan	437.5	+2.1	438.0	438.0	2	-
Total					24,817	6,248

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Dec	160.95	+1.15	161.90	159.00	4,660	375
Mar	162.45	+1.25	163.50	161.25	2,279	10
Jun	163.45	+1.25	-	-	465	-
Sep	164.20	+1.25	-	-	31	-
Total					7,436	385

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

Nov	527.5	+3.3	-	-	-	-
Dec	529.5	+3.3	535.0	523.0	72,621	27,746
Jan	532.1	+3.3	535.0	531.0	80	2
Mar	538.0	+3.4	543.5	532.0	19,754	2,327
May	543.9	+3.4	545.5	539.0	4,673	419
Jul	550.1	+3.4	556.0	544.0	4,244	402
Total					112,998	30,980

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Dec	18.34	+0.15	18.42	18.12	92,531	36,735
Jan	18.14	+0.12	18.21	17.97	70,614	18,438
Feb	17.97	+0.05	18.07	17.90	35,145	5,190
Mar	17.91	+0.07	17.94	17.89	23,936	3,859
Apr	17.88	+0.09	17.90	17.88	18,312	1,368
May	17.83	+0.08	17.83	17.80	11,778	904
Total					394,928	73,050

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Dec	17.19	+0.27	17.22	16.90	78,145	17,880
Jan	16.90	+0.22	16.92	16.69	56,030	12,125
Feb	16.75	+0.22	16.76	16.56	16,933	2,476
Mar	16.61	+0.20	16.61	16.45	11,336	1,655
Apr	16.34	-	16.52	16.44	4,925	75
May	16.29	-	16.39	16.38	3,114	105
Total					179,668	34,880

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Dec	50.10	+0.70	50.35	49.30	1,592	11,579
Jan	50.60	+0.60	50.70	50.05	47,390	14,993
Feb	51.10	+0.60	51.20	50.80	33,024	2,722
Mar	51.00	+0.70	51.00	50.75	21,611	1,732
Apr	50.00	+0.40	50.10	50.00	11,023	849
May	49.48	+0.48	49.48	49.40	7,261	285
Total					162,816	32,662

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	153.25	+2.75	153.75	150.75	24,548	5,412
Dec	155.00	+2.75	155.50	152.25	28,431	5,451
Jan	156.25	+2.25	156.75	154.50	20,982	3,488
Feb	157.25	+2.25	157.50	155.00	8,598	193
Mar	157.50	+2.50	157.50	155.75	7,491	773
Apr	155.50	+2.25	156.00	154.25	2,433	580
Total					102,985	16,574

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Dec	1.959	+0.009	1.980	1.930	28,035	8,325
Jan	2.093	+0.017	2.095	2.068	18,001	2,207
Feb	2.030	+0.017	2.030	2.010	12,068	938
Mar	1.965	+0.015	1.965	1.955	12,257	557
Apr	1.907	-	-	-	6,823	392
May	1.892	+0.004	1.892	1.892	6,620	170
Total					130,817	14,218

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Dec	58.80	+0.04	58.35	58.50	2,313	13,239
Jan	56.45	+0.19	56.70	56.15	30,149	16,790
Feb	55.25	+0.29	55.50	55.25	18,447	3,345
Mar	56.45	+0.29	56.55	55.05	6,358	800
Apr	58.65	-0.01	59.00	58.55	3,953	403
May	57.50	-	-	-	4,659	611
Total					68,580	35,425

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	105.25	+0.25	105.25	104.75	767	28
Jan	107.10	+0.05	107.10	106.50	1,972	47
Mar	109.10	-	109.00	109.00	1,581	25
May	111.10	+0.10	111.00	111.00	1,570	20
Jul	112.75	-0.25	-	-	140	-
Sep	96.60	+0.10	96.45	96.45	40	20
Total					6,458	197

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

Dec	385/4	+2/0	387/4	383/4	35,959	13,989
Mar	397/4	+2/4	398/0	394/2	24,804	6,601
May	375/4	+0/6	376/4	373/4	4,313	764
Jul	346/6	+0/2	347/4	345/4	10,052	1,342
Sep	351/0	-	352/0	350/0	261	10
Dec	360/6	-0/6	-	-	150	6
Total					75,545	22,712

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

Dec	215/6	-	216/4	215/2	115,107	18,668
Mar	226/6	-	227/6	226/4	62,211	4,354
May	234/6	-	235/4	234/2	25,361	1,608
Jul	240/2	-0/2	241/2	240/0	32,517	2,266
Sep	245/0	-0/6	246/2	245/0	2,782	117
Dec	249/6	-0/6	250/4	249/4	13,999	887
Total					253,122	27,868

■ BARLEY LCE (£ per tonne)

Nov	101.25	+0.05	101.50	101.25	147	30
Jan	103.75	+0.25	104.00	103.75	416	15
Mar	106.05	+0.55	-	-	130	-
May	107.75	-0.40	-	-	48	-
Sep	93.25	+0.25	-	-	5	-
Total					746	45

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

Nov	542/2	-	544/0	540/2	20,112	14,194
Jan	554/2	+0/2	556/2	552/0	55,210	24,706
Mar	564/6	+0/6	566/2	562/2	25,065	5,877
May	573/2	+1/0	574/6	570/6	11,930	1,523
Jul	579/6	+0/6	581/0	577/4	20,791	2,410
Aug	583/4	+1/6	584/0	581/2	1,639	135
Total					143,399	49,446

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

Dec	25.74	+0.08	25.85	25.53	35,046	19,082
Jan	24.85	+0.03	25.05	24.66	16,985	4,703
Mar	24.36	+0.02	24.57	24.20	13,218	2,944
May	24.14	+0.09	24.28	23.95	12,028	2,107
Jul	23.95	+0.13	24.08	23.80	7,096	1,833
Aug	23.92	+0.12	24.00	23.75	2,299	7
Total					91,582	31,140

■ SOYABEAN MEAL CBT (100 tons; $/ton)

Dec	160.3	-0.5	161.0	159.7	41,793	7,617
Jan	161.7	-0.5	162.3	161.1	18,073	2,323
Mar	165.5	-0.1	165.9	164.8	15,094	1,630
May	169.0	-0.2	169.3	168.5	8,717	665
Jul	173.0	-0.3	173.5	172.5	8,653	1,201
Aug	174.5	-0.6	175.0	174.2	1,205	3
Total					98,344	13,467

■ POTATOES LCE (£/tonne)

Nov	150.0	-	-	-	-	-
Mar	105.0	-	-	-	-	-
Apr	226.0	+1.7	226.8	225.0	1,465	22
May	242.5	-	-	-	-	-
Jun	107.5	-	-	-	-	-
Total					1,465	22

■ FREIGHT (BIFFEX) LCE ($10/index point)

Nov	1818	+8	1820	1815	312	40
Dec	1733	+3	1730	1725	301	35
Jan	1671	+3	1670	1665	1,072	31
Apr	1643	+18	-	-	893	-
Jul	1463	-1	-	-	137	-
Oct	1510	-	-	-	17	-
Total					3,190	106

	Close	Prev
BFI	1863	1870

Minor Metals
European free market, from Metal Bulletin, $ per lb in warehouse, unless otherwise stated (last week's in brackets, where changed). Antimony: 99.6%, $ per tonne, 5,920-6,020 (5,770-5,915). Bismuth: min. 99.99%, tonne lots 3.60-3.85 (3.60-4.00). Cadmium: min. 99.5%, 180-195 (185-200) cents a pound. Cobalt: MB free market, 99.8%, 26.50-27.30 (26.50-27.50); 99.3%, 24.50-25.50 (24.00-24.90). Mercury: min. 99.99%, $ per 76 lb flask, 110-135. Molybdenum: drummed molybdic oxide, 5.90-6.40 (4.70-5.00). Selenium: min 99.5%, 3.45-4.65 (3.35-4.65). Tungsten ore: standard min. 65%, $ per tonne unit (10kg) WO_3, cif, 45-55. Vanadium: min. 98%, cif, 1.40-1.55 (1.35-1.50). Uranium: Nuexco exchange value, 7.00.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	943	-12	951	937	20,413	445
Mar	972	-11	980	965	42,905	1,642
May	982	-10	989	977	14,705	479
Jul	998	-10	1002	992	6,381	37
Sep	1009	-9	1011	1009	12,611	31
Dec	1025	-12	1025	1025	8,640	73
Total					111,578	2,707

■ COCOA CSCE (10 tonnes; $/tonnes)

Dec	1309	-18	1322	1301	25,403	2,429
Mar	1353	-19	1365	1343	26,127	1,771
May	1381	-18	1390	1374	7,991	496
Jul	1407	-18	1413	1411	3,025	37
Sep	1434	-18	1445	1437	1,383	2
Dec	1461	-18	1470	1465	4,981	4
Total					73,480	4,737

■ COCOA (ICCO) (SDR's/tonne)

October 31	Price	Prev. day
Daily	998.36	992.42

■ COFFEE LCE ($/tonne)

Nov	3401	-16	3460	3400	2,120	779
Jan	3445	-12	3495	3441	12,025	1,157
Mar	3417	-12	3456	3416	8,487	371
May	3388	-15	3440	3400	3,205	78
Jul	3379	-1	3400	3400	1,340	2
Sep	3360	-10	-	-	1,461	-
Total					28,840	2,387

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

Dec	188.35	-1.05	189.75	185.75	11,834	2,770
Mar	191.35	-1.00	194.75	190.80	12,718	914
May	193.50	-0.25	197.00	193.50	5,048	174
Jul	194.50	-1.00	197.75	194.50	1,599	32
Sep	196.20	+0.80	196.50	196.00	930	13
Dec	197.50	+0.75	197.50	197.50	882	7
Total					33,127	3,910

■ COFFEE (ICO) (US cents/pound)

October 31	Price	Prev. day
Comp. daily	177.77	179.49
15 day average	183.32	183.09

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

Jan	13.00	-	-	-	90	-
Mar	13.05	+0.10	-	-	400	-
May	13.20	+0.12	-	-	450	-
Jul	13.13	+0.11	-	-	-	-
Total					940	-

■ WHITE SUGAR LCE ($/tonne)

Dec	358.10	+3.00	358.30	353.80	3,182	1,470
Mar	349.60	+1.80	349.80	346.30	9,273	1,445
May	347.30	+0.80	348.00	345.10	2,871	941
Aug	342.70	-0.70	344.00	341.50	2,660	159
Oct	319.30	-0.90	320.90	318.80	687	121
Dec	318.20	-0.90	-	-	14	-
Total					18,788	4,136

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

Mar	12.90	+0.10	12.95	12.73	96,433	8,193
May	12.94	+0.11	12.96	12.77	25,511	1,941
Jul	12.78	+0.07	12.83	12.66	15,542	1,124
Oct	12.34	+0.03	12.40	12.28	13,835	658
Mar	11.97	+0.07	12.04	12.02	1,872	19
May	11.87	+0.07	11.95	11.95	52	10
Total					153,265	11,970

■ COTTON NYCE (50,000lbs; cents/lbs)

Dec	72.44	+0.19	72.95	71.30	24,028	4,400
Mar	73.63	+0.13	74.25	72.65	15,593	1,199
May	74.75	+0.25	75.20	73.67	6,892	411
Jul	75.50	+0.20	75.75	74.45	4,127	70
Oct	70.88	+0.33	71.00	70.30	533	1
Dec	69.88	+0.21	70.00	69.30	2,798	52
Total					53,991	6,132

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Nov	108.05	+0.15	106.10	104.40	1,377	1,635
Jan	110.25	+0.25	111.00	109.25	14,338	2,867
Mar	113.90	+0.15	114.30	112.25	5,268	339
May	117.00	+0.80	117.25	117.00	1,531	144
Jul	120.50	+0.60	120.10	119.55	885	42
Sep	123.05	+0.65	122.00	122.00	606	101
Total					25,583	5,158

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Nov 1	Oct 31	month ago	year ago
2099.3	2105.5	2083.8	1606.7

■ CRB Futures (Base: 1967=100)

Oct 31	Oct 28	month ago	year ago
233.30	234.48	-	217.88

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	69.600	-0.400	70.300	69.500	29,950	5,428
Feb	68.750	-0.300	69.225	68.500	20,071	2,134
Apr	69.425	-0.475	69.975	69.225	13,127	2,195
Jun	65.475	-0.500	65.950	65.250	4,586	593
Aug	64.475	-0.500	64.950	64.350	1,468	201
Oct	65.200	-0.450	65.700	65.150	257	7
Total					69,461	10,562

■ LIVE HOGS CME (40,000lbs; cents/lbs)

Dec	34.100	-1.175	35.100	33.825	17,201	3,529
Feb	36.600	-1.350	37.900	36.450	8,354	1,199
Apr	36.900	-1.075	37.900	36.600	4,640	532
Jun	42.400	-0.500	42.750	42.025	2,145	158
Aug	41.750	-0.400	42.100	41.500	380	18
Oct	38.600	-0.350	38.950	38.600	310	12
Total					33,678	5,478

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Feb	41.475	-1.400	42.975	41.050	8,271	2,189
Mar	41.775	-1.175	42.950	41.200	1,270	327
May	42.750	-1.300	44.150	42.550	313	18
Jul	43.650	-1.100	44.700	43.250	335	38
Aug	42.600	-1.350	42.600	42.300	74	7
Total					10,263	2,572

LONDON TRADED OPTIONS

Strike price $ tonne	— Calls —		— Puts —	
■ ALUMINIUM (99.7%) LME	Dec	Mar	Dec	Mar
1800	83	122	32	61
1825	68	108	42	72
1850	55	96	54	84
■ COPPER (Grade A) LME	Dec	Mar	Dec	Mar
2600	151	160	29	74
2650	117	132	45	95
2700	88	108	65	120
■ COFFEE LCE	Jan	Mar	Jan	Mar
3500	216	306	271	389
3550	198	289	303	422
3600	182	274	337	457
■ COCOA LCE	Dec	Mar	Dec	Mar
950	13	67	20	45
975	6	54	38	57
1000	2	44	59	72
■ BRENT CRUDE IPE	Nov	Dec	Nov	Dec
1600	126	123	6	123
1650	80	91	9	91
1700	43	67	25	67

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Dec)

		+or-
Dubai	$15.83-5.90z	+0.385
Brent Blend (dated)	$17.44-7.46	+0.41
Brent Blend (Dec)	$17.17-7.19	+0.41
W.T.I. (1pm est)	$18.45-8.47z	+0.43

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$182-185	+1.0
Gas Oil	$156-157	+4.5
Heavy Fuel Oil	$97-99	+1.0
Naphtha	$170-172	+1.0
Jet fuel	$180-181	+3.0
Diesel	$160-161	+2.0

Petroleum Argus. Tel. London (071) 359 8792

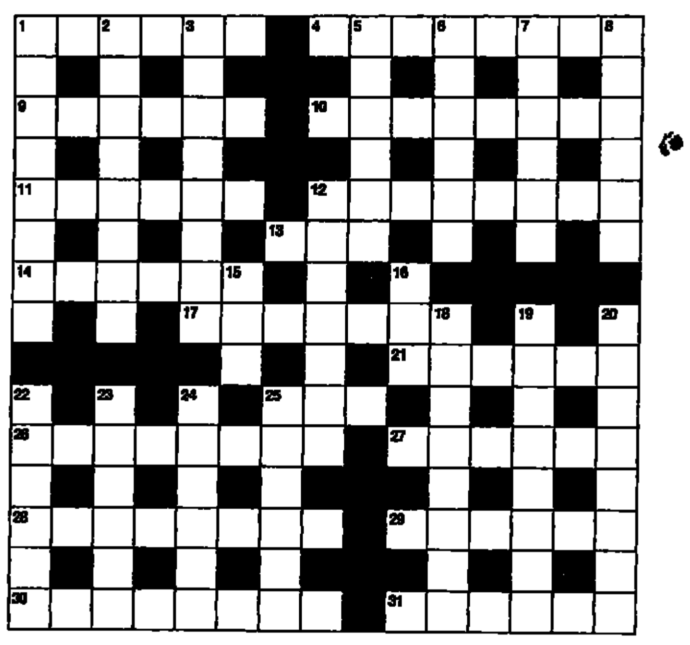
■ OTHER

Gold (per troy oz)♣	$383.75	-0.75
Silver (per troy oz)♣	524.5c	-3.0
Platinum (per troy oz.)	$414.60	-5.50
Palladium (per troy oz.)	$158.85	-0.05
Copper (US prod.)	129.0c	
Lead (US prod.)	40.25c	
Tin (Kuala Lumpur)	14.81c	-0.20
Tin (New York)	280.5c	+4.0
Cattle (live weight)†	116.72p	+0.15*
Sheep (live weight)†♠	97.96p	+5.82*
Pigs (live weight)	75.77p	+0.53*
Lon. day sugar (raw)	$319.30	-0.70
Lon. day sugar (wte)	$361.30	+0.30
Tate & Lyle export	£307.00	-2.00
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	Unq.	
Wheat (US Dark North)	Unq.	
Rubber (Dec)♥	86.25p	-0.50
Rubber (Jan)♥	85.75p	-0.50
Rubber (KL RSS No1 Jul)	340.5m	-1.0
Coconut Oil (Phil)§	$850.0v	+2.5
Palm Oil (Malay.)§	$847.5t	
Copra (Phil)§	$412.0v	-4.0
Soyabeans (US)	£152.0v	-1.0
Cotton Outlook'A' index	75.85c	+0.15
Wooltops (64s Super)	451p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Oct/Dec. v Nov/Dec. u Oct/Nov. z Dec. t Nov. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week. ⊙ Prices are for previous day.

CROSSWORD

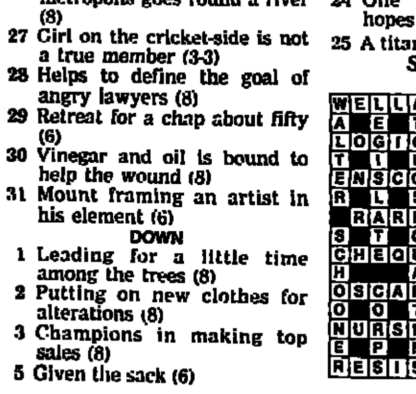
No.8,600 Set by DANTE



ACROSS
1 Countenance massage (6)
4 Fast sailing ships take the wool crop (8)
9 Think out a motive (6)
10 No other organisation can compete with it (8)
11 Powerful fighter gains height reaching Yemen capital (6)
12 The Pony Express's first new recruit (8)
13 Stretcher bearer? (3)
14 Gives hot tips at the barbers (6)
17 Spider gets fly that's artificial (7)
21 Tennis player at church (6)
25 The French maid's home address (3)
26 Expedition to the French metropolis goes round a river (8)
27 Girl on the cricket-side is not a true member (3-3)
28 Helps to define the goal of angry lawyers (8)
29 Retreat for a chap about fifty (6)
30 Vinegar and oil is bound to help the wound (8)
31 Mount framing an artist in his element (6)

DOWN
1 Leading for a little time among the trees (8)
2 Putting on new clothes for alterations (8)
3 Champions in making top sales (8)
5 Given the sack (6)
6 Ready to throw a line to one in trouble (6)
7 See me mounting horse entered in Derby, for example (6)
8 Fashionably named? (6)
12 A sign that visitors aren't welcome (2,5)
15 Suitable resort for a spring holiday? (3)
16 An engaging answer? (3)
18 One who wallows in merry-making? (8)
19 It's criminal to make lover die in a nasty way (4-4)
20 Breaking foot, totters a bit (8)
22 Turned and fled with detectives in pursuit (6)
23 Coax little Josephine into ruffled lace (6)
24 One invests in them and hopes (6)
25 A titan out to win (6)

Solution 8,599



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LONDON STOCK EXCHANGE

MARKET REPORT

Shares rally following Bank inflation report

By Terry Byland, UK Stock Market Editor

An extremely volatile trading session left the UK stock market showing little change on the day after early losses had been quickly recovered when the Bank of England released an unexpectedly favourable report on domestic inflation prospects.

Trading was overshadowed from the opening by apprehension ahead of the latest National Purchasing Managers Index in the US and the Bank of England Quarterly Bulletin, both released in mid-afternoon.

The market drifted easier before dropping sharply when the US Purchasing Managers Index alarmed the dollar and US and global bond markets by disclosing the highest level of business activity for seven years, with its prices component also stronger than expected. The FT-SE 100-share Index extended its loss to show a net fall of nearly 20 points within a few minutes of the US news. However, traders said there was no time for any selling pressure to develop.

The Bank of England Bulletin, released shortly afterwards, inspired a dramatic turnround in UK bonds and equities. The FT-SE 100 Index climbed back into plus territory, albeit briefly, and ended only 1.1 off at 3,096.3. At the close, London brushed aside both weakness in US bonds and the fall of nearly 30 points on the Dow Industrial Average in UK trading hours.

The Bank's prediction that domestic inflation would stay in the lower half of its target range for the next two years, and that wage inflation was posing no problems, appeared to remove the market's fears of any sudden upward move in base rates. Analysts commented that much of this week's debate over base rates has been one of timing; the market had long ago braced itself for higher rates at some time in the future.

However, market analysts were cautious about abandoning the view that the Bank may still tighten policy at some stage as economic recovery continues, especially in view of the further evidence yesterday of pressures in the US.

Traders warned that the recovery in the market towards the close should be regarded as further evidence of London's volatility rather than of a change of investment sentiment. Seaq volume remained poor, with the day's total of 471.8m shares through the electronic reporting network a shade lower than in the previous session.

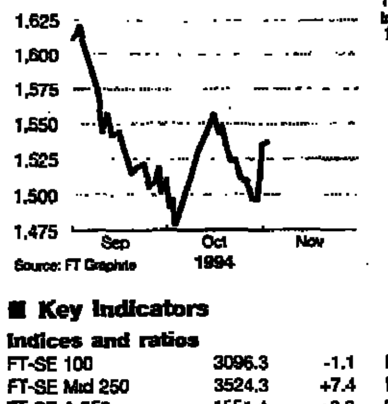
In the early part of the day, volume was very slow, although the Footsie moved erratically, opening 15 points down but almost regaining the overnight level at midsession. The FT-SE Mid 250 Index closed at 3,524.3 for a rise of 7.4 as the utility sector continued to race ahead. Trading in non-Footsie stocks, incorporating many utilities, made up around 55 per cent of total business.

The market closed with an irregular pattern. British Petroleum ended the session lower as not even excellent trading figures could offset Wall Street's influence and some disappointment that the dividend payout had not been raised. Shell Transport was easier, and most of the dollar-orientated stocks, including pharmaceuticals, were unable to make progress at the close.

Retail and consumer shares, the most closely linked to base rate worries, made only a cautious response to the Bank's favourable comments on inflation. Banks, which have also proved sensitive to threats of higher base rates because of the negative implications for their bad debt portfolios, turned firmer. A leading US securities house turned positive on the UK banking sector this week.

Traders were unwilling to be drawn on prospects for the opening of the London market this morning. Some suggested that yesterday afternoon's rally might prove to be as much as London could manage if the US and European bond markets remain weak.

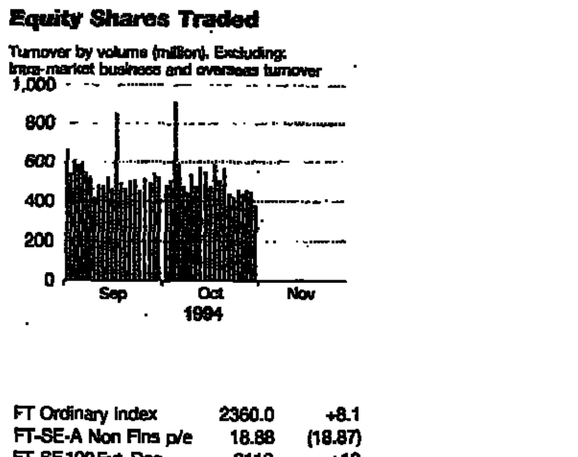
FT-SE-A All-Share index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Key Indicators

Indices and ratios

FT-SE 100	3096.3	-1.1	FT Ordinary Index	2360.0	+8.1
FT-SE Mid 250	3524.3	+7.4	FT-SE-A Non Fins p/e	18.88	(18.87)
FT-SE-A 350	1551.4	+0.3	FT-SE 100 Fut Dec	3119	+10
FT-SE-A All-Share	1536.51	+0.2	10 yr Gilt yield	8.75	(8.83)
FT-SE-A All-Share yield	3.93	(3.93)	Long gilt/equity yld ratio:	2.24	(2.24)

Best performing sectors		Worst performing sectors	
1 Electricity	+1.5	1 Oil, Integrated	-1.5
2 Water	+1.0	2 Mineral Extraction	-1.2
3 Utilities	+0.6	3 Gas Distribution	-0.8
4 Building & Const	+0.6	4 Distributors	-0.8
5 Property	+0.6	5 Oil Exploration & Prod	-0.6

BP weak on US influence

A sense of anti-climax spread across the oil sector as BP shares retreated in the wake of the third-quarter figures and following a steep fall on Wall Street. BP hit all-time records highs in sterling and dollar terms on Monday.

Dealers said BP's third-quarter numbers were at the very top end of expectations but that the market had been mildly disappointed with the unchanged dividend, although some of the more conservative analysts said that hopes of an increase in the payment were unrealistic.

It was also pointed out that BP shares had outperformed the market by 7 per cent over the past *month and were due* for a period of consolidation, albeit in a much higher trading band than has been the case in the past couple of years.

Another bearish factor affecting BP was news that two of the influential Wall Street brokerages, Smith Barney and Prudential Bache, took the view that the oil majors are now overvalued. And at least two of the important London-based securities houses, including Goldman Sachs and NatWest Securities, were seen to be big sellers of BP shares yesterday. The stock retreated 9 to 426p on *slightly disappointing* turnover of 9.8m.

Demand for UB

Food manufacturer United Biscuits advanced 9 to 315p as S.G. Warburg sent a note to clients arguing that the shares had fallen too far. The house sector specialists said the stock was at a five-year relative yield high and price low and commented: "We continue to regard United Biscuits as one of the best recovery stocks in the sector."

Other analysts cited a return of bid speculation which has been touching the company for some time. UB is seen as being *one of the only UK food* manufacturers with enough overseas interests to attract one of the *big international players.*

Airways rebounds

Having underperformed the market by close on 5 per cent over the past month, British Airways rebounded 8¼ to 361½p as enthusiasm for the shares built up ahead of the group's traffic flows results for October, due Thursday.

After traffic growth of 7.3 per cent in September, most analysts are expecting a significant slowdown for the latest month as BA moves into slower seasonal trading. Best *bets* among the major houses point to an October traffic gain of between 4 and 5 per cent.

At all events the shares traded in a turnover of 4m, helped by stories that a big US house – possibly Goldman Sachs – was recommending clients to buy a portfolio of airline stocks with a heavy European weighting, including KLM and BA.

Leading stores group **Marks and Spencer** was sold in early trading following news that the head of its US arm had quit the company. Although Brooks Brothers represents a very small part of M&S profits, *there were concerns that* the resignation foreshadowed a general withdrawal from the US. *Some particularly bearish* analysts saw signs that UK retailers were unable to operate successfully overseas. M&S receded 4 before rallying with the market to close a net penny up at 416p.

Elsewhere in the sector, **Storehouse** was also weaker, with turnover heavy at over 8m shares and the shares slipping 2 to 217p.

Dixons was actively traded, with dealers saying that the 3.5m turnover represented a strong two-way pull on the stock. The shares fell 3½ to 192p, with Smith New Court believed to have been putting the *sell* argument.

Tobacco and insurance conglomerate **BAT Industries** fell 9 in reaction to the launch of a class action lawsuit in Florida against leading tobacco manufacturers. Analysts said the Florida tobacco action is to be certified a class action and posed more liability danger than previous tobacco lawsuits.

However, the shares received broker support - Lehman Brothers recommended them ahead of third-quarter figures today - and they ended the day only 2 lower at 437p.

Wellcome, the pharmaceuticals group, *fell 7 to 632p* following a television news report which cast a shadow over Septrin, a product to which Wellcome contributes.

Bank shares were firmer, with the UK sector boosted by news that the Lehman Brothers strategy team has included it as one of its most attractive sectors.

Royal Bank of Scotland, which ran up 9 to 449p yesterday, was one of Lehman's favoured UK banking stocks.

Standard Chartered dipped 7 to 286p after James Capel, the agency broker, was said to have placed 1.5m shares. *Another leading broking house* was said to have recommended a switch out of Standard and into HSBC.

Royal Insurance easily outpaced the rest of the composite insurance sector and were given a strong push by BZW, whose insurance team recently visited Royal's US operations. BZW insisted the shares were "some 20 per cent undervalued." It said the outlook for Royal's US operations was considerably more promising and a convergence to industry average returns would imply a turnaround of some $150m per annum in pre-tax profits. By the close Royal shares were 7 higher at 299p.

There was no let-up in the chase to buy the utilities with the Recs posting further big gains on the prospects of bumper special dividends and big profits gains when the interim reporting season gets underway in December.

And water stocks were boosted by higher than expected interims from **Thames Water**, *although profit-taking* left the latter easier at 531½p.

In the Recs, **East Midland** jumped 35 to 721p as the market became increasingly excited about the prospect of another special dividend post the sell off of the National Grid. Other Recs to move higher included **Eastern**, 25¼ firmer at 821¼p and **Manweb**, 23 better at 830p.

A press report that **Eurotunnel** faces a potentially heavy bill for local authority rates pushed the shares 4 *lower to 231p in very thin trad*ing conditions. The company is said to be seeking government help to soften a rates assessment of £42m by Folkstone county council. The assessment compares with forecast revenue by the company for this year of around £37m.

Media conglomerate **Pearson** improved 8 to 642p as S.G. Warburg reiterated its positive recommendation.

MARKET REPORTERS:
Steve Thompson, Peter John, Jeffrey Brown.

■ Other statistics, Page 19

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (21).
GILTS (1) DISTRIBUTORS (1) Adam & Harvey, **DIVERSIFIED INDLS (1)** Mitsubishi, **ENGINEERING (2)** Baynes (C), Spirax-Sarco, **EXTRACTIVE INDS (3)** Caledonia Mining, Rand Mines, Western Metals, **INVESTMENT TRUSTS (2)** Fleming Int'l. High Zero Div Prf., Yeoman Zero Prf., **OIL EXPLORATION & PROD (1)** Aran Energy, **OTHER FINANCIAL (3)** Edinburgh Fund Mngrs., Jupiter Tyndall, Strategemp, **OTHER SERVS & BUSNS (1)** Anglo-East Plants., **PHARMACEUTICALS (1)** Astra, **SUPPORT SERVS (1)** Computer People, **TELECOMMUNICATIONS (1)** Nippon T & T, **TEXTILES & APPAREL (1)** Bridport-Gundry, **TRANSPORT (2)** Jacobs (J), P & O 5½pc Prfd.,
NEW LOWS (75).
GILTS (1) BUILDING & CNSTRN (4) AMEC 6½p Prf., Barratt Devlpt., Birse, **BLDG MATLS & MCHTS (1)** Hewitt, **DISTRIBUTORS (4)** Diploma, Farnell, Glenchewton, Lex Service, **DIVERSIFIED INDLS (1)** Powell Duffryn, **ELECTRNC & ELECT EQUIP (4)** Bick, Delta, Forward, Gestetner, **ENGINEERING (4)** APV, GEI Int'l., McKechnie, OMI Int'l., **EXTRACTIVE INDS (2)** Ayer Hitam, Rockwood, **HEALTH CARE (3)** AAH, Hasmocek, Kynoch, **HOUSEHOLD GOODS (1)** Cornwell Parker A, **INSURANCE (3)** Aon Corp., Lowndes Lambert, PWS Hldgs., **INVESTMENT TRUSTS (9) INVESTMENT COMPANIES (4) LEISURE & HOTELS (3)** Airtours 6½p Cv. Pf., First Leisure, Wembley, **MEDIA (2)** Hodder Headline, Trinity Int'l., **OTHER FINANCIAL (2)** Berry, Birch & Noble, Energy Capital, **PHARMACEUTICALS (1)** Huntingdon Int'l., **PRTNG, PAPER & PACKG (4)** Bemrose, Brit. Thornton, Lawson Mardon, Wace 8pc Cv. Pf., **PROPERTY (13)** Brighstone, Chesterfield, Cleveland Trust, Daejan, Fiscal, Hemingway, Peel, Property Trust(PVT), Regalian, Scottish Metropolitan, Slough 8¼p Net Prf, Speciality Shops, Warner Estate, **RETAILERS, FOOD (2)** Dairy Farm Int'l., Nurdin & Peacock, **RETAILERS, GENERAL (3)** Blacks Leisure, Sothebys, Upton & Southern, **SUPPORT SERVS (2)** Gresham Telecomputing, Microgen, **TEXTILES & APPAREL (3)** Hartstone, Lister, Slimma, **TRANSPORT (1)** Vard.

EQUITY FUTURES AND OPTIONS TRADING

Low trading volume, narrow *premiums and a trading range* just short of 40 points added up to a volatile day for stock *index futures, writes Jeffrey Brown.*

The FT-SE 100 December contract was 3,119 at the official 4.10pm close, up 10 points. The *premium to the* cash market was 10 points *and fair value premium was* just under 12 points.

Trading volume was thin and *traders described conditions* as "very squeezy all day". The general quality of business was low, with most *activity* provided by the local, independent traders.

For the most part the December contract did little *more than drift, making scant* attempt to provide cash equities with a lead. The day's low was 3,085, with the 3,121 peak occurring just before the close of pit trading.

Volume was only 9,600 contracts, down from around 12,000 on Monday. The closure of the Matif, the French futures market, for *All-Saint's Day* was one of the more obvious reasons for the low level of activity.

The resilience of the December contract in the face of the clear weakness on Wall *Street – both US equities and* bonds were trading sharply south when London closed – surprised *many* traders.

The traded options market was significantly busier than on Monday, with 55,409 lots dealt against 31,215.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3089.0	3119.0	+10.0	3125.0	3085.0	12012	52931
Mar	3123.0	3138.5	+9.5	3123.0	3123.0	2	3864
Jun		3160.5	+9.5			0	80

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec		3535.0	+15.0			0	4260

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	-	3535.0	-	-	-	-	0

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3089) £10 per full index point

	2900 C	2900 P	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P	32500 C	32500 P
Nov	223	4½	176½	8	131	13½	91	24½	57½	42½	32½	70	16	108	7½	156½
Dec	238½	19	196½	27½	159	40½	121	53½	92	75½	66½	101	46	132½	51	169
Jan	258½	33½	221½	45½	185½	60	151½	76½	122	96½	93	119	71	147½	51	180½
Feb	276½	40½	240½	54½	203½	67½	171½	86	142	108½	113	130	92½	159½	71½	190½
Jun†	328	71			251½	102			199½	138½			143½	193		

Calls 4,168 Puts 5,996

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2925		2975		3025		3075		3125		3175		3225		3275	
Nov	198½	6½	151	10½	110	19½	74	33	44½	53½	24½	83½	12	120½	5½	163½
Dec	216	23½	176	33½	139½	46	106½	63	76	84	54½	110	35	140	21½	178½
Jan	233	32			161½	58			105	101			63	158		
Mar	263½	54½			195	84			137	123½			91	175½		
Jun†	303	76½			237½	107			179½	145			139	192		

Calls 877 Puts 2,435 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3400	3450	3500		3550		3600		3650	3700	3750
Oct			119¾	62⅞	92⅝	84⅞	70	111¾			

Calls 0 Puts 0 Settlement prices and volumes are taken at 4.30pm.

FT - SE Actuaries Share Indices — The UK Series

	Nov 1	Day's chge%	Oct 31	Oct 28	Oct 27	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3096.3	.....	3097.4	3083.8	3029.6	3164.1	4.11	7.01	16.84	110.69	1174.79
FT-SE Mid 250	3524.3	+0.2	3516.9	3501.6	3480.1	3522.3	3.55	5.79	20.84	111.82	1317.04
FT-SE Mid 250 ex Inv Trusts	3523.8	+0.3	3514.1	3498.5	3479.1	3522.1	3.71	6.27	19.41	116.34	1314.19
FT-SE-A 350	1551.4	.....	1551.1	1544.3	1521.2	1577.6	3.98	6.74	17.61	54.06	1204.01
FT-SE SmallCap	1779.75	-0.1	1780.91	1777.83	1774.15	1805.10	3.33	4.98	25.32	49.79	1365.23
FT-SE SmallCap ex Inv Trusts	1749.36	.....	1749.81	1748.04	1746.65	1787.35	3.54	5.54	23.08	51.78	1365.93
FT-SE-A ALL-SHARE	1536.51	.....	1536.31	1529.82	1508.35	1562.30	3.93	6.61	18.00	52.83	1212.89

■ FT-SE Actuaries All-Share

	Nov 1	Day's chge%	Oct 31	Oct 28	Oct 27	Year ago	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(18)	2740.33	-1.2	2774.56	2762.71	2891.63	2481.60	3.44	4.99	25.31	82.53	1103.38
12 Extractive Industries(4)	3873.02	-0.2	3882.29	3867.98	3880.09	3155.80	3.31	5.30	23.34	98.62	1068.73
15 Oil, Integrated(3)	2713.20	-1.5	2754.70	2729.13	2853.56	2469.10	3.59	5.54	22.47	86.98	1116.53
18 Oil Exploration & Prod(11)	1892.85	-0.6	1903.53	1899.27	1881.87	1981.60	2.19	‡	‡	38.03	1095.17
20 GEN MANUFACTURERS(287)	1858.21	+0.2	1855.68	1856.08	1838.63	1934.30	4.11	5.17	23.45	67.81	951.04
21 Building & Construction(33)	1044.79	+0.6	1038.78	1039.47	1040.35	1165.00	3.78	5.31	24.84	36.06	823.29
22 Building Matls & Merchs(32)	1814.50	+0.2	1811.33	1807.98	1797.11	1879.20	4.11	5.35	22.68	66.90	859.44
23 Chemicals(23)	2305.94	+0.3	2298.89	2294.82	2288.87	2236.20	4.02	4.47	27.95	79.58	1023.28
24 Diversified Industrials(16)	1771.80	-0.1	1773.30	1782.01	1751.28	2006.80	5.17	5.21	23.06	82.75	911.24
25 Electronic & Elect Equip(34)	1857.51	+0.5	1847.86	1852.04	1820.42	2162.30	4.05	6.77	17.62	61.88	910.57
26 Engineering(71)	1792.21	+0.3	1786.81	1785.48	1771.52	1708.30	3.19	5.05	23.48	53.69	1028.95
27 Engineering, Vehicles(12)	2246.49	.....	2247.02	2228.90	2214.21	1950.50	4.45	1.56	80.00†	92.54	1096.80
28 Printing, Paper & Pckg(26)	2801.43	+0.2	2795.85	2791.03	2777.85	2461.80	3.08	5.33	21.92	75.71	1104.43
29 Textiles & Apparel(20)	1561.43	-0.1	1562.45	1555.74	1562.73	1963.10	4.31	6.93	17.69	49.58	884.37
30 CONSUMER GOODS(97)	2741.58	-0.2	2745.81	2732.31	2697.88	2795.00	4.38	7.31	15.83	108.73	948.16
31 Breweries(17)	2259.16	-0.5	2269.49	2246.61	2231.70	2062.10	4.19	7.60	15.96	61.43	1012.20
32 Spirits, Wines & Ciders(10)	2865.82	+0.2	2858.73	2835.60	2780.91	2708.30	3.90	6.75	17.06	101.23	984.53
33 Food Manufacturers(23)	2292.92	+0.4	2284.21	2281.70	2251.16	2380.00	4.23	7.60	15.34	88.25	968.81
34 Household Goods(13)	2423.30	+0.2	2417.52	2403.38	2379.50	2723.80	3.77	7.50	15.97	89.98	877.57
36 Health Care(21)	1609.39	-0.3	1614.28	1610.97	1609.29	1745.10	3.13	3.35	42.00	48.24	937.64
37 Pharmaceuticals(12)	2990.40	-0.5	3005.82	2988.53	2957.97	3097.60	4.51	7.16	18.16	125.28	856.84
38 Tobacco(1)	3666.03	-0.5	3682.61	3697.00	3624.09	4124.70	5.92	9.38	11.45	217.07	836.25
40 SERVICES(219)	1905.43	+0.2	1902.34	1901.33	1881.53	1893.40	3.25	6.41	18.84	52.10	937.67
41 Distributors(30)	2488.60	-0.8	2508.51	2511.95	2489.35	2667.60	3.77	7.37	16.03	85.25	866.73
42 Leisure & Hotels(25)	2052.13	+0.4	2043.72	2040.43	2037.78	1956.40	3.37	4.86	24.21	57.69	1014.59
43 Media(39)	2862.76	+0.4	2852.15	2846.93	2773.46	2838.20	2.43	5.24	22.26	69.61	996.15
44 Retailers, Food(16)	1694.77	.....	1694.87	1702.41	1682.70	1641.40	3.82	9.45	13.08	52.00	1014.92
45 Retailers, General(45)	1631.65	.....	1632.27	1632.97	1628.40	1684.20	3.24	6.65	18.81	44.87	874.15
48 Support Services(41)	1506.64	+0.3	1502.62	1492.92	1478.52	1604.20	2.80	6.42	18.39	35.92	918.43
49 Transport(16)	2265.03	+0.5	2252.82	2248.31	2212.35	2300.90	3.71	5.59	20.73	61.02	890.17
51 Other Services & Business(7)	1233.92	-0.1	1234.56	1235.73	1234.95	1218.30	4.10	3.16	47.77	28.63	1062.44
60 UTILITIES(36)	2467.29	+0.6	2452.85	2420.41	2374.56	2524.50	4.27	7.82	15.97	81.97	953.78
62 Electricity(17)	2590.28	+1.5	2552.29	2500.52	2464.72	2188.30	3.54	9.52	12.53	83.46	1077.20
64 Gas Distribution(2)	1922.27	-0.8	1938.26	1944.66	1890.29	2223.30	6.23	‡	‡	117.96	902.00
66 Telecommunications(4)	2073.91	+0.2	2069.57	2046.39	1998.55	2348.30	3.96	7.58	16.05	50.22	884.40
68 Water(13)	1934.27	+1.0	1915.60	1879.70	1866.34	1928.60	5.05	12.22	8.92	69.35	966.93
69 NON-FINANCIALS(637)	1659.10	.....	1658.89	1651.63	1629.39	1669.86	3.91	6.36	18.88	55.90	1176.44
70 FINANCIALS(104)	2186.72	+0.1	2184.60	2177.20	2138.20	2348.10	4.43	8.97	12.83	89.69	870.31
71 Banks(10)	2879.20	+0.1	2877.32	2861.93	2805.26	2914.20	4.19	9.87	11.60	116.39	865.65
73 Insurance(17)	1257.87	+0.1	1257.01	1252.38	1219.58	1475.90	5.38	9.38	12.19	61.61	868.53
74 Life Assurance(6)	2391.75	-0.3	2398.97	2416.19	2363.20	2784.90	5.34	7.80	15.64	127.82	925.64
75 Merchant Banks(6)	2719.80	-0.1	2722.88	2694.97	2648.97	3284.20	3.82	12.13	9.80	97.76	821.21
77 Other Financial(24)	1839.86	+0.3	1833.61	1821.84	1816.76	1792.50	3.98	8.49	14.08	63.31	986.74
79 Property(41)	1450.72	+0.6	1442.72	1446.64	1439.38	1719.70	4.20	4.46	29.09	44.39	831.46
80 INVESTMENT TRUSTS(124)	2730.00	-0.3	2738.77	2727.20	2699.54	2716.40	2.25	1.97	51.40	55.51	918.82
89 FT-SE-A ALL-SHARE(865)	1536.51	.....	1536.31	1529.82	1508.35	1562.30	3.93	6.61	18.00	52.83	1212.89

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3081.5	3090.1	3090.4	3087.6	3092.7	3093.7	3089.6	3087.4	3093.7	3096.4	3078.2
FT-SE Mid 250	3511.3	3516.1	3520.8	3518.5	3518.3	3519.7	3520.0	3520.6	3522.3	3524.3	3511.0
FT-SE-A 350	1544.4	1548.2	1548.8	1547.4	1549.4	1549.9	1548.4	1547.5	1550.2	1551.4	1543.6

Time of FT-SE 100 Day's high: 4.29pm Day's low: 3.23pm. FT-SE 100 1994 High: 3520.3(2/2) Low: 2876.6 (24/6).

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	973.6	974.6	975.1	974.3	973.9	973.7	975.0	978.1	981.1	983.6	976.1	+7.5
Pharmaceuticals	2946.9	2957.1	2963.0	2953.9	2957.2	2958.2	2948.1	2944.8	2952.3	2960.7	2975.5	-14.8
Water	1922.9	1930.3	1944.6	1930.5	1923.3	1920.7	1922.1	1926.6	1934.6	1933.1	1914.1	+19.0
Banks	2893.7	2902.3	2905.6	2902.1	2906.1	2909.2	2903.6	2899.9	2913.5	2915.3	2913.4	+1.9

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT, Fitzroy House, 13-17 Epworth Street, London EC2A 4DL.
The FT "500" has been renamed FT-SE-A Non-Financials Index. The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules.

"FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company. † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	181	321	-2
ASDA Group†	2,400	60½	
Abbey National†	1,500	415	-1
Albert Fisher	715	42	
Allied Domecq†	839	601	+3
Anglian Water	805	549	+2
Argos	900	327	+2
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 index constituent.

LONDON EQUITIES

LIFFE EQUITY OPTIONS

[illegible]	[illegible]	[illegible]	[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	53	14	4
Other Fixed Interest	0	0	14
Mineral Extraction	19	96	79
General Manufacturers	107	128	400
Consumer Goods	35	44	108
Services	70	92	333
Utilities	26	7	11
Financials	57	134	174
Investment Trusts	31	126	308
Others	31	53	33
Totals	429	696	1464

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	October 24	Expiry	January 26
Last Dealings	November 4	Settlement	February 9

Calls: Bk of Scotland, Kunick, Regent Corp, Sateland, S Wales Elect, Tadpole Tech, VideoLogic. Puts: Regent Corp.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994 High	1994 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	0.82	6½	4	APTA Wrnts.	6	-½	-	-	-	-
-	F.P.	10.9	180	180	‡Adare Prntg	180		-	-	-	-
-	F.P.	9.83	73	63	Artesian Ests.	73		-	-	-	-
100	F.P.	174.0	93	87	BZW Commodities	87	-2	-	-	-	-
-	F.P.	17.2	47	42	Do. Wrts	43	-2	-	-	-	-
-	F.P.	49.6	92	65	‡Caluna	92		-	-	-	-
280	F.P.	30.3	285	280	Churchill China	285		RN9.86	2.2	4.3	13.0
63	F.P.	12.2	68	65	Ennemix	67		RN0.71	5.3	1.3	8.4
-	F.P.	56.7	140	108	Filtronic C'tek	135	+10	RN0.75	2.6	0.7	45.4
115	F.P.	38.2	126	115	Games Workshop	123	-3	RN4.6	2.2	4.7	11.6
-	F.P.	2.16	35	26	Group Dv Cap Wts	26	-1	-	-	-	-
-	F.P.	29.0	62	58	Hambros Sm Asian	58		-	-	-	-
-	F.P.	2.70	30	27	Do Warrants	27		-	-	-	-
180	F.P.	167.5	223	205	Irish Permanent	220	-3	uN6.0	4.8	3.4	7.7
180	F.P.	436.9	181	160	Man ED & F	170	+4	RN8.6	1.6	6.3	9.4
-	F.P.	340.2	488	475	Prolific Inc.	486		-	-	-	-
135	F.P.	58.3	149	136	Servisair	145		RN3.8	1.3	3.3	23.5
-	F.P.	8.28	62	57	Whitchurch	62		RN1.25	3.0	2.5	13.0
-	F.P.	28.2	360	335	Wrexham Water	338		-	-	-	-
-	F.P.	474	330	320	Do. NV	320		-	-	-	-

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1994 High	1994 Low	Stock	Closing price p	+or-
17	Nil	2/12	2pm	¼pm	APTA Health	¼pm	
20	Nil	9/12	4½pm	3½pm	Butlers	4pm	
118	Nil	28/11	20pm	8pm	Cattles	15pm	+4
Ir4p	Nil	25/11	¼pm	¼pm	Dragon Oil	¼pm	
500	Nil	12/12	50pm	34pm	Matthew Clark	34pm	-5
26	Nil	22/11	¼pm	¼pm	Novo	¼pm	
180	Nil	9/12	18pm	5pm	Sidlaw	14pm	-1
Ir330p	Nil	29/11	59pm	25pm	Smurfit (J)	35pm	-5
5	Nil	15/11	2½pm	¾pm	‡Union Square	¾pm	

FINANCIAL TIMES EQUITY INDICES

	Nov 1	Oct 31	Oct 28	Oct 27	Oct 26	Yr ago	*High	*Low
Ordinary Share	2360.0	2351.9	2345.1	2310.8	2298.5	2387.4	2713.6	2240.6
Ord. div yield	4.36	4.37	4.38	4.45	4.47	3.87	4.51	3.43
Earn. yld. % full	6.22	6.23	6.25	6.34	6.37	4.48	6.51	3.82
P/E ratio net	17.52	17.48‡	17.44‡	17.18‡	17.10‡	27.97	33.43	16.94
P/E ratio nil	18.06	18.01	17.96	17.70	17.61	25.92	30.80	17.09

*For 1994. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35. ‡Corrected values.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2345.0	2351.7	2351.7	2348.8	2353.4	2354.1	2351.6	2351.0	2349.8	2360.0	2342.8

	Nov 1	Oct 31	Oct 28	Oct 27	Oct 26	Yr ago
SEAQ bargains	24,499	27,021	22,467	21,112	21,225	28,905
Equity turnover (£m)†	-	1111.7	1164.6	1109.6	999.9	1598.6
Equity bargains†	-	29,117	26,618	24,353	24,627	33,598
Shares traded (ml)†	-	392.8	462.4	465.2	434.7	571.6

†Excluding intra-market business and overseas turnover.

FT-GOLD MINES INDEX

Gold Mines Index (34)	2155.81	-8.5	2189.88	2210.80	1978.43	1.58	2367.49	1762.02		
Africa (16)	3592.31	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2304.45		
Australasia (7)	2631.09	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2171.66		
North America (11)	1656.06	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1458.11		

Figures in brackets show number of companies. Basis US Dollars. Base Values 1000.00 31/12/92. [illegible]

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or -	1994 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl	□	£21⅞	-⅛	£25⅛	£19⅔	6,588	5.1	Φ
ANZ A$		177	-2	278¼	171	2,355	5.1	27.9
Abbey National	†N□	415	-1	525	380½	5,444	4.7	14.0
Allied Irish I£	♣†N□	251	-1	314	233	1,673	5.0	9.6
Anglo Irish I£	MN□	68	—	*70	50	188.8	7.4	10.6
Asahi Y	□	664	-22½	819¼	628	15,407	0.7	Φ
Banco Bil Viz Pta	□	£15⅜	-⅛	£16⅛	£14⅛	3,603	5.1	7.3
Banco Sant Pta		£28⅝	—	*£30½	£23¼	4,385	5.0	8.9
Bk Ireland I£	♣□	280	-6	*319	248	1,328	4.7	8.1
Bank Scotland	♣†N□	208xd	+2	247	172½	2,404	3.2	11.6
9¼pc Pf		107xd	+¼	141½	106	167.0	10.8	–
9¾pc Pf		112xd	+¼	148½	111¼	112.8	10.9	–
Barclays	♣†N□	567	+4	640	467	9,562	3.5	16.1
Dai Ichi Kan Y	□	£11⅛	-⅛	£12⅞	£10⅜	34,684	0.5	–
Deutsche DM	□	£300½	+⅜	£344¼	£270⅜	14,311	2.2	–
Espirito Santo	□	£8⅝	+⅛	*£13⅛	£8⅛	189.7	4.1	4.6
First Nat Fin	N□	68	—	*99	60	114.8	2.8	–
6.3pc Cv Pf		71	—	*90	71	4.77	11.1	–
7pc Cv Pf		125½	—	171	123	59.6	7.0	–
Fuji Bank Y	□	1353	-7	1549¼	1152½	38,197	0.4	Φ
HSBC HK	†N□	724xd	-5	1133	680	12,670	4.2	10.5
HSBC (75p Shs)	†N□	719xd	-7	1113	680	6,118	4.3	10.4
Lloyds	†N□	572	-2	666	519	7,418	5.0	11.3
Mitsubishi Y	□	£15¼	-¼	£16⅝	£15⅛	43,516	0.4	Φ
Mitu Tst & Bk Y	□	964¼	+12¼	1162¼	687½	11,440	0.5	15.2
Mitsui Tst & Bk Y	□	685½	-13	879	514	8,393	0.8	23.6
Nat Aust A$	†	479	-9	620¼	472	6,412	5.6	10.5
NatWest	†N□	509	+5	622	421	8,783	4.8	9.5
Ottomane FFr		£22	—	£33	£21¼	110.0	6.6	Φ
Ryl Bk Scotland	♣†N□	449	+8	528	377½	3,586	3.3	20.3
Sakura Y	□	£9⅞	-⅛	£9⅞	£8⅛	27,614	0.6	51.7
Sanwa Y	□	£12⅜	—	£15⅛	£11⅛	37,947	0.4	–
[illegible]		[illegible]						

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

Approved by the Inland Revenue

INVESTMENT TRUSTS - Cont.

INVESTMENT TRUSTS

INVESTMENT COMPANIES

& HOTELS

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1994 high	1994 low	Yld Gr's	NAV	Dis or Pm(-)
Perpetual Japan	□	103	-½	129	89	-	100.7	-2.2
Warrants	□	46	—	88	47	-	-	-
Personal Assets		£374½	—	394	279	2.8	8623.9	-.9
Pilot Inv	N□	129	—	153	124	1.5	124.3	-.6
Warrants	□	44	—	80	40½	-	-	-
Piper Euro Smlr	□	94	—	98	91	-	90.7	-3.5
Warrants	□	41	—	43	33	-	-	-
Primadona	N	271	—	293	261	2.1	300.9	9.9
Ptarmigan Intl	N□	222	—	*276	208	1.9	239.2	7.2
Warrants		81	—	140	78	-	-	-
RIT Capital	N□	175	—	198	164½	1.1	214.2	18.3
2½pc Cv Ln 2000		£175	—	£199½	£170½	1.4	-	-
Radiotrust		70	—	88	69	-	71.3	1.8
Rights & Iss Inc	N	155	—	164	153	7.3	-	-
Cap	N	483	+5	545	440	2.3	542.5	11.0
Riv & Merc Am Inc	N	104xd	—	121	104	9.4	-	-
Cap	□	29½	—	38	29	-	39.7	25.7
Warrants		14	—	17	13	-	-	-
Riv & Mer Ext	N□	93xd	—	147	91	10.5	101.1	8.0
Warrants		20	-1	49	20	-	-	-
Zero Div Pf		109	—	118½	108	-	-	-

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

MERCHANT BANKS

OIL EXPLORATION & PRODUCTION

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

OIL EXPLORATION & PRODUCTION - Cont.

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PHARMACEUTICALS

PRINTING, PAPER & PACKAGING

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£29¾	—	£30	£13½	1,939	2.5	21.8
Barlow	2	94½	—	£5½	£3½	980.0	0.7	-
Gold Flds Prop R		116xr	—	128	75	12.1	7.7	ϕ
NK Props		95	—	95	85	3.82	12.4	-
SASOL	♥	587	—	592	280	3,321	2.4	-
SA Brews		£14½	—	£15½	£10	3,999	1.9	23.5
Tiger Oats	†	728	—	838	538	1,994	2.2	15.4
Tongaat-Hulett	h	695	—	*695	356¼	833.4	1.8	19.4

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ⁂ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) UK & Irish incorporated non-listed companies.
- ‖ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
o Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualise yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT2585. Ring 081-770 0770 (open 24 hours including weekends) or Fax 081-770 3822. If calling from outside the UK, ring +44 81 770 0770 or fax +44 81 770 3822. Reports will be sent the next working day, subject to availability.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds
Pembroke Hall, Pembroke, Bermuda
UK Prof Advisers 0800 414181
Private Clients 0800 414161
From O'seas (44) 732 777377

[illegible]

Jupiter Tyndall (Bermuda) Ltd

[illegible]

Orbis Fund Limited

[illegible]

GUERNSEY (SIB RECOGNISED)

AIB Investment Managers (Guernsey) Ltd

[illegible]

Lazard Freres Asset Management (CI) Ltd
PO Box 275, St Peter Port, Guernsey, CI 0481 710481
Emerging World Int Fd. 6 | $10.61 | 11.37

Lazard Fund Mngrs (Channel Islands) Ltd
PO Box 275, St. Peter Port, Guernsey, C.I. 0481 710481

[illegible]

Lazard Select Investment Trust Ltd

[illegible]

Lloyds Intl Money Market Fund Ltd
Sarnia Hse, Le Truchot, St Peter Port 0481 724983
Lloyds Bank Fund Managers (Guernsey) Ltd

[illegible]

Dealing daily

M & G (Guernsey) Ltd
Westbourne, The Grange, St Peter Port 0481 722663

[illegible]

Prudential Fund Managers (Guernsey) Ltd
Po Box 61, St Peter Port Guernsey 0481 726268
Prudential Money Funds Ltd

[illegible]

Rothschild Asset Management (CI) Ltd
PO Box 242, St Peter Port, Guernsey 0481 713713

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (REGULATED)(**)

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IRELAND (SIB RECOGNISED)

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ISLE OF MAN (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

JERSEY (SIB RECOGNISED)

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JERSEY (REGULATED)(**)

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LUXEMBOURG (SIB RECOGNISED)

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LUXEMBOURG (REGULATED)(**)

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CURRENCIES AND MONEY

MARKETS REPORT

Bank calms market nerves about higher rates

Sterling lost some of its lustre yesterday after the Bank of England released a fairly benign quarterly inflation report, *writes Philip Gawith.*

Traders assumed that the Bank's report makes less likely a decision to raise interest rates at today's monthly monetary meeting between the chancellor and the governor of the Bank of England.

The report prompted a sharp rally in short sterling futures as traders scrambled to cover short positions they had taken ahead of the report's release.

The pound closed in London at DM2.4510, from DM2.4583, and at \$1.6347, from \$1.6306. After the report was released, it fell to DM2.44 and below \$1.63, before recovering.

The dollar traded sideways, finishing at DM1.4994 from DM1.5077, and Y96.755 from Y96.95, despite a purchasing managers' report showing stronger than expected price pressures.

Trade elsewhere was fairly thin, with most of Europe closed for All Saints Day. The D-Mark was stronger against the lira, rising to L1,027, from L1,023. It was also firmer against the krona, trading yesterday evening at SKr4.804 from SKr4.780.

■ The three month sterling LIBOR rate firmed to $6\frac{5}{16}$ per cent, from $6\frac{1}{16}$ per cent, as traders got nervy about the prospect of higher rates. It later eased to $6\frac{1}{8}$ per cent when the Bank's report, saying that the inflation outlook had improved, was released.

In the short sterling market, prices jumped in after hours trading, with the March contract rising around 15 basis points to 92.75, from 92.60. Analysts said the market was experiencing a massive short-covering rally.

■ **Pound in New York**

Nov 1	Latest	Prev. close
£ spot	1.6315	1.6355
1 mth	1.6306	1.6347
3 mth	1.6299	1.6340
1 yr	1.6201	1.6228

The core conclusion in the report was that the inflation outlook had improved. The Bank now expects underlying inflation to be around 2.5 per cent in two years time, down from the forecast in its last report of about 3 per cent.

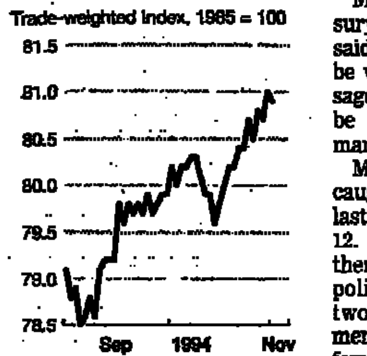
Although the market's response was very bullish, some analysts said that an early rate rise had not been ruled out.

Earlier there had been little to be gleaned from the Bank's daily money market operations. It provided £15m late assistance, after earlier providing £677m liquidity at established rates. The daily shortage was £900m. Overnight money traded between $5\frac{1}{4}$ and $6\frac{1}{8}$ per cent.

One seasoned money market observer said that the old days of reading the monetary "tea-leaves", for hints of the direction of policy, were past. While it was fair to assume that a sustained period of easy money rates had the acquiescence of the Bank, it would not be correct to assume that tighter monetary conditions necessarily conveyed any signal about the Bank's intentions.

Sterling

Trade-weighted index, 1985 = 100



Source: FT Graphite

As likely as not, he said, this reflected technical factors, such as who was holding treasury bills, and whether or not they wanted to sell them to the Bank.

"Now the focus is on the monthly monetary meeting. We have the Ken and Eddie show," he said.

Mr Tony Norfield, UK treasury economist at Abn-Amro, said the market would anyway be very suspicious of any message the Bank was alleged to be sending through its daily market operations.

Many in the market were caught offside when the Bank last raised rates on September 12. They mistakenly inferred then that the Bank planned no policy change when it set a two week repurchase agreement, at established rates, a few days before it raised rates.

One point made in favour of maintaining the status quo is that the trade-weighted sterling index has appreciated by three per cent, from 78.6 before the last rate rise to yesterday's close of 80.9. This, according to a rule of thumb sometimes cited in the market, is equivalent to a rise in interest rates of about 75 basis points.

Some analysts felt the governor of the Bank, Mr Eddie George, had boxed itself into a corner with his recent rhetoric. Mr Nick Parsons, treasury economist at CIBC, said if rates were raised against the backdrop of recent "emollient" comments about inflation, "this would render totally ineffective the speeches he gives on a weekly basis. What the market needs is a period of stability, not a period of central bank induced instability."

■ The dollar weakened in line with bonds after the NAPM report was released, with the inflation component rising to 79.9 from 77.1. It later regained some ground after comments from Mr Mickey Kantor, the US trade representative, eased concerns about trade tensions with Japan.

■ **OTHER CURRENCIES**

Nov 1	£	$
Hungary	176.210 - 176.449	107.820 - 107.920
Iran	2835.00 - 2838.00	1748.00 - 1750.00
Kuwait	0.4849 - 0.4858	0.2967 - 0.2972
Poland	37637.9 - 37817.5	23030.0 - 23130.0
Russia	5051.20 - 5065.94	3090.00 - 3099.00
U.A.E.	5.9912 - 6.0032	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Nov 1		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.3428	+0.0434	350 - 506	17.3955	17.3347	17.3385	0.3	17.3268	0.4	-	-	115.5
Belgium	(BFr)	50.3963	-0.1916	528 - 398	50.6810	50.3528	50.3663	0.7	50.2963	0.8	49.8213	1.1	117.3
Denmark	(DKr)	9.5889	-0.033	844 - 934	9.6326	9.5739	9.5865	0.3	9.6012	-0.5	9.5808	0.1	117.3
Finland	(FM)	7.5157	-0.0196	062 - 251	7.5460	7.5062	-	-	-	-	-	-	88.5
France	(FFr)	8.3878	-0.0312	840 - 916	8.4238	8.3826	8.3868	0.2	8.3809	0.3	8.3103	0.9	110.8
Germany	(DM)	2.4510	-0.0073	498 - 522	2.4600	2.4475	2.4498	0.6	2.4461	0.8	2.4125	1.6	126.8
Greece	(Dr)	377.886	-1.091	359 - 012	379.428	377.359	-	-	-	-	-	-	-
Ireland	(I£)	1.0130	-0.0029	125 - 135	1.0168	1.0104	1.0128	0.2	1.0125	0.2	1.0142	-0.1	105.9
Italy	(L)	2516.79	+1.46	584 - 773	2524.34	2511.52	2522.54	-2.7	2533.89	-2.7	2580.39	-2.5	74.4
Luxembourg	(LFr)	50.3963	-0.1916	528 - 398	50.6810	50.3528	50.3663	0.7	50.2963	0.8	49.8213	1.1	117.3
Netherlands	(Fl)	2.7465	-0.0098	451 - 479	2.7575	2.7444	2.7453	0.5	2.7414	0.7	2.7056	1.5	121.3
Norway	(NKr)	10.6825	-0.0086	777 - 872	10.7377	10.6639	10.6825	0.0	10.6842	-0.1	10.6831	0.0	88.4
Portugal	(Es)	250.510	-0.839	211 - 809	251.781	250.211	252.24	-8.3	255.42	-7.8	-	-	-
Spain	(Pta)	203.963	-0.582	797 - 129	205.102	203.797	204.333	-2.2	209.358	-10.6	207.458	-1.7	88.1
Sweden	(SKr)	11.7435	-0.0129	348 - 521	11.7862	11.6896	11.7625	-1.9	11.805	-2.1	11.9495	-1.8	75.8
Switzerland	(SFr)	2.0443	-0.007	432 - 454	2.0556	2.0415	2.0412	1.8	2.0345	1.9	1.9923	2.5	122.9
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	80.9
Ecu	-	1.2870	-0.0026	863 - 876	1.2911	1.2854	1.287	0.0	1.2871	0.0	1.2801	0.5	-
SDR†	-	0.912183	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6323	+0.002	318 - 327	1.6393	1.6317	-	-	-	-	-	-	-
Brazil	(R)	1.3805	+0.0035	793 - 816	1.3835	1.3793	-	-	-	-	-	-	-
Canada	(C$)	2.2141	+0.0087	132 - 149	2.2200	2.2106	2.2134	0.4	2.2115	0.5	2.2052	0.4	86.6
Mexico	(New Peso)	5.6208	+0.0182	155 - 260	5.6842	5.6155	-	-	-	-	-	-	-
USA	($)	1.6347	+0.0041	343 - 350	1.6400	1.6335	1.6337	0.7	1.6325	0.5	1.6207	0.9	60.8
Pacific/Middle East/Africa													
Australia	(A$)	2.2075	+0.0104	055 - 095	2.2119	2.2024	2.2096	-1.1	2.2123	-0.9	2.2262	-0.8	-
Hong Kong	(HK$)	12.6317	+0.032	286 - 348	12.6726	12.6237	12.6251	0.6	12.6192	0.4	12.5496	0.6	-
India	(Rs)	51.3035	+0.1429	843 - 227	51.5140	51.2760	-	-	-	-	-	-	-
Japan	(Y)	158.160	+0.078	085 - 235	158.870	157.910	157.735	3.2	156.735	3.6	151.53	4.2	190.1
Malaysia	(M$)	4.1816	+0.0128	799 - 833	4.1935	4.1779	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.6565	+0.0084	546 - 581	2.6608	2.6548	2.6612	-2.1	2.6704	-2.1	2.6903	-1.3	-
Philippines	(Peso)	40.6211	+0.053	306 - 115	40.7115	40.3275	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.1316	+0.015	298 - 332	6.1516	6.1276	-	-	-	-	-	-	-
Singapore	(S$)	2.3989	+0.0016	975 - 002	2.4093	2.3975	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.7136	+0.0046	111 - 160	5.7413	5.7111	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.6367	+0.0819	189 - 545	6.7060	6.5992	-	-	-	-	-	-	-
South Korea	(Won)	1302.73	+2.93	237 - 309	1307.36	1301.90	-	-	-	-	-	-	-
Taiwan	(T$)	42.5173	+0.0463	918 - 427	42.6828	42.4918	-	-	-	-	-	-	-
Thailand	(Bt)	40.7069	+0.0687	941 - 197	40.8260	40.6820	-	-	-	-	-	-	-

†SDR rates for Oct 31. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Nov 1		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	10.6095	-	070 - 120	10.6470	10.6070	10.6095	0.0	10.6093	0.0	10.5345	0.7	104.5
Belgium	(BFr)	30.8300	-0.195	100 - 500	30.9500	30.7750	30.83	0.0	30.795	0.5	30.715	0.4	106.1
Denmark	(DKr)	5.8660	-0.035	645 - 675	5.8850	5.8470	5.87	-0.8	5.8785	-0.9	5.917	-0.9	105.6
Finland	(FM)	4.5977	-0.0238	929 - 025	4.6061	4.5829	4.5984	-0.2	4.5952	0.2	4.5917	0.1	83.1
France	(FFr)	5.1313	-0.032	300 - 325	5.1430	5.1185	5.133	-0.4	5.1313	0.0	5.1233	0.2	106.8
Germany	(D)	1.4994	-0.0083	990 - 998	1.5031	1.4952	1.4995	-0.1	1.4977	0.5	1.4872	0.8	107.3
Greece	(Dr)	231.050	-1.25	900 - 200	231.500	230.650	231.32	-1.4	231.875	-1.4	234.125	-1.3	68.4
Ireland	(I£)	1.6137	+0.0085	132 - 142	1.6197	1.6106	1.6137	0.0	1.6137	0.0	1.6007	0.8	-
Italy	(L)	1539.65	-2.98	940 - 990	1541.50	1533.00	1543.9	-3.3	1551.45	-3.1	1591.15	-3.3	74.9
Luxembourg	(LFr)	30.8300	-0.195	100 - 500	30.9500	30.7750	30.83	0.0	30.795	0.5	30.715	0.4	106.1
Netherlands	(Fl)	1.6802	-0.0102	797 - 807	1.6841	1.6762	1.6802	0.0	1.6785	0.4	1.668	0.7	105.8
Norway	(NKr)	6.5350	-0.0205	335 - 365	6.5534	6.5110	6.5377	-0.5	6.5505	-0.9	6.5825	-0.7	96.8
Portugal	(Es)	153.250	-0.9	100 - 400	153.600	153.050	153.875	-4.9	155	-4.6	159.5	-4.1	95.1
Spain	(Pta)	124.775	-0.67	700 - 850	125.030	124.650	125.06	-2.7	124.04	2.4	127.925	-2.5	80.9
Sweden	(SKr)	7.1841	-0.026	803 - 878	7.1984	7.1251	7.1989	-2.5	7.2281	-2.4	7.3681	-2.6	81.4
Switzerland	(SFr)	1.2506	-0.0074	502 - 510	1.2560	1.2459	1.2493	1.3	1.2456	1.6	1.2281	1.8	106.1
UK	(£)	1.6347	+0.0041	343 - 350	1.6400	1.6335	1.6337	0.7	1.6325	0.5	1.6207	0.9	89.5
Ecu	-	1.2702	+0.0058	698 - 705	1.2743	1.2682	1.2696	0.6	1.2692	0.3	1.2672	0.2	-
SDR†	-	1.48454	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9986	-0.0013	985 - 986	0.9996	0.9985	-	-	-	-	-	-	-
Brazil	(R)	0.8445	-	440 - 450	0.8450	0.8440	-	-	-	-	-	-	-
Canada	(C$)	1.3545	+0.0019	542 - 547	1.3563	1.3520	1.3543	0.1	1.354	0.1	1.3585	-0.4	83.5
Mexico	(New Peso)	3.4385	+0.0025	360 - 410	3.4410	3.4360	3.4395	-0.3	3.4413	-0.3	3.4487	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	94.0
Pacific/Middle East/Africa													
Australia	(A$)	1.3505	+0.003	495 - 514	1.3504	1.3461	1.3508	-0.2	1.3515	-0.3	1.3588	-0.6	85.6
Hong Kong	(HK$)	7.7275	+0.0002	272 - 277	7.7277	7.7272	7.7265	0.1	7.7261	0.1	7.736	-0.1	-
India	(Rs)	31.3850	+0.0087	800 - 900	31.4450	31.3800	31.47	-3.2	31.615	-2.9	-	-	-
Japan	(Y)	96.7550	-0.195	300 - 800	96.9800	96.5000	96.535	2.7	95.955	3.3	93.39	3.5	151.0
Malaysia	(M$)	2.5581	+0.0014	576 - 586	2.5586	2.5545	2.5489	4.3	2.5376	3.2	2.6111	-2.1	-
New Zealand	(NZ$)	1.6251	+0.001	244 - 258	1.6258	1.6231	1.626	-0.7	1.6279	-0.7	1.6332	-0.5	-
Philippines	(Peso)	24.8500	-0.03	000 - 000	24.9000	24.8000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7510	-0.0002	507 - 512	3.7512	3.7510	3.7523	-0.4	3.7564	-0.6	3.775	-0.6	-
Singapore	(S$)	1.4675	-0.0026	670 - 680	1.4695	1.4670	1.4662	1.1	1.4643	0.9	1.4575	0.7	-
S Africa (Com.)	(R)	3.4953	-0.006	945 - 960	3.5045	3.4945	3.5108	-5.3	3.5391	-5.0	3.6158	-3.4	-
S Africa (Fin.)	(R)	4.0600	+0.04	500 - 700	4.0950	4.0300	4.0937	-10.0	4.1525	-9.1	-	-	-
South Korea	(Won)	796.950	-0.2	900 - 000	797.900	796.700	798.95	-4.5	803.45	-3.3	821.95	-3.1	-
Taiwan	(T$)	26.0100	-0.037	000 - 200	26.0200	26.0000	26.03	-0.9	26.07	-0.9	-	-	-
Thailand	(Bt)	24.9025	-0.0205	000 - 050	24.9050	24.9000	24.975	-3.5	25.1025	-3.2	25.5825	-2.7	-

†SDR rate for Oct 31. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Oct 31. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

November 1	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	$4\frac{7}{8}$	$4\frac{15}{16}$	$5\frac{1}{4}$	$5\frac{5}{8}$	$6\frac{3}{8}$	7.40	4.50	-
week ago	$4\frac{15}{16}$	$4\frac{15}{16}$	$5\frac{1}{4}$	$5\frac{5}{8}$	$6\frac{1}{4}$	7.40	4.50	-
France	$5\frac{1}{8}$	$5\frac{7}{16}$	$5\frac{5}{8}$	$5\frac{15}{16}$	$6\frac{5}{8}$	5.00	-	6.75
week ago	$5\frac{1}{8}$	$5\frac{7}{16}$	$5\frac{5}{8}$	$5\frac{7}{8}$	$6\frac{3}{4}$	5.00	-	6.75
Germany	4.93	4.95	5.15	5.25	5.60	6.00	4.50	4.85
week ago	4.88	4.95	5.15	5.25	5.58	6.00	4.50	4.85
Ireland	$5\frac{1}{16}$	$5\frac{1}{4}$	$5\frac{7}{8}$	$6\frac{1}{4}$	$7\frac{1}{8}$	-	-	6.25
week ago	$5\frac{1}{16}$	$5\frac{1}{4}$	$5\frac{7}{8}$	$6\frac{1}{8}$	$7\frac{1}{8}$	-	-	6.25
Italy	$8\frac{1}{4}$	$8\frac{5}{8}$	$8\frac{7}{8}$	$9\frac{3}{8}$	$10\frac{1}{8}$	-	7.50	8.20
week ago	$8\frac{1}{4}$	$8\frac{5}{8}$	$8\frac{15}{16}$	$9\frac{5}{8}$	$10\frac{1}{4}$	-	7.50	8.20
Netherlands	4.84	4.99	5.22	5.36	6.75	-	5.25	-
week ago	4.84	4.99	5.20	5.35	6.73	-	5.25	-
Switzerland	$3\frac{1}{8}$	$3\frac{3}{4}$	$4\frac{1}{8}$	$4\frac{3}{8}$	$4\frac{5}{8}$	6.625	3.50	-
week ago	$3\frac{15}{16}$	$3\frac{3}{4}$	$4\frac{1}{8}$	$4\frac{1}{4}$	$4\frac{5}{8}$	6.625	3.50	-
US	$4\frac{7}{8}$	5	$5\frac{3}{8}$	$5\frac{7}{8}$	$6\frac{1}{4}$	-	4.00	-
week ago	$4\frac{3}{4}$	5	$5\frac{1}{2}$	$5\frac{3}{4}$	$6\frac{1}{8}$	-	4.00	-
Japan	$2\frac{3}{8}$	$2\frac{1}{4}$	$2\frac{1}{4}$	$2\frac{1}{4}$	$2\frac{3}{4}$	-	1.75	-
week ago	$2\frac{1}{4}$	$2\frac{1}{4}$	$2\frac{3}{8}$	$2\frac{1}{4}$	$2\frac{3}{4}$	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	$5\frac{1}{8}$	$5\frac{5}{8}$	$5\frac{7}{8}$	$6\frac{1}{2}$	-	-	-
week ago	-	$5\frac{1}{8}$	$5\frac{5}{8}$	6	$6\frac{3}{8}$	-	-	-
US Dollar CDs	-	4.98	5.33	5.69	6.35	-	-	-
week ago	-	4.98	5.38	5.71	6.31	-	-	-
SDR Linked Ds	-	$3\frac{5}{8}$	$3\frac{7}{8}$	$3\frac{3}{4}$	4	-	-	-
week ago	-	$3\frac{5}{8}$	$3\frac{7}{8}$	$3\frac{3}{4}$	4	-	-	-

ECU Linked Ds mid rates: 1 mth: $5\frac{1}{2}$; 3 mths: $5\frac{7}{8}$; 6 mths: $6\frac{1}{8}$; 1 year: $6\frac{5}{8}$. $ LIBOR interbank fixing rates are offered rates for \$10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Nov 1	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	$4\frac{15}{16}$ - $4\frac{13}{16}$	$4\frac{15}{16}$ - $4\frac{13}{16}$	$4\frac{15}{16}$ - $4\frac{13}{16}$	$5\frac{1}{4}$ - $5\frac{1}{8}$	$5\frac{5}{8}$ - $5\frac{1}{2}$	$6\frac{1}{4}$ - $6\frac{1}{8}$
Danish Krone	$5\frac{1}{2}$ - $5\frac{1}{4}$	$5\frac{3}{4}$ - $5\frac{1}{2}$	$5\frac{7}{8}$ - $5\frac{5}{8}$	$6\frac{1}{2}$ - $6\frac{1}{4}$	$6\frac{7}{8}$ - $6\frac{5}{8}$	$7\frac{1}{2}$ - $7\frac{1}{4}$
D-Mark	$5\frac{1}{8}$ - 5	$4\frac{15}{16}$ - $4\frac{13}{16}$	$4\frac{15}{16}$ - $4\frac{13}{16}$	$5\frac{3}{16}$ - $5\frac{1}{16}$	$5\frac{1}{4}$ - $5\frac{1}{8}$	$5\frac{5}{8}$ - $5\frac{1}{2}$
Dutch Guilder	6 - $4\frac{7}{8}$	5 - $4\frac{7}{8}$	5 - $4\frac{7}{8}$	$5\frac{3}{16}$ - $5\frac{1}{16}$	$5\frac{3}{8}$ - $5\frac{1}{4}$	$5\frac{3}{4}$ - $5\frac{5}{8}$
French Franc	$5\frac{3}{8}$ - $5\frac{1}{4}$	$5\frac{7}{16}$ - $5\frac{5}{16}$	$5\frac{7}{16}$ - $5\frac{5}{16}$	$5\frac{5}{8}$ - $5\frac{1}{2}$	$5\frac{15}{16}$ - $5\frac{13}{16}$	$6\frac{7}{16}$ - $6\frac{5}{16}$
Portuguese Esc.	$9\frac{1}{4}$ - 9	$9\frac{1}{4}$ - 9	$9\frac{3}{4}$ - $9\frac{1}{2}$	$10\frac{1}{4}$ - 10	$10\frac{7}{8}$ - $10\frac{5}{8}$	$10\frac{7}{8}$ - $10\frac{5}{8}$
Spanish Peseta	$7\frac{1}{2}$ - $7\frac{3}{8}$	$7\frac{1}{2}$ - $7\frac{3}{8}$	$7\frac{5}{8}$ - $7\frac{1}{2}$	$7\frac{15}{16}$ - $7\frac{13}{16}$	$8\frac{7}{16}$ - $8\frac{5}{16}$	$9\frac{1}{16}$ - $8\frac{15}{16}$
Sterling	$5\frac{7}{8}$ - $5\frac{5}{8}$	$5\frac{3}{4}$ - $5\frac{5}{8}$	$5\frac{7}{8}$ - $5\frac{3}{4}$	$6\frac{1}{4}$ - $6\frac{1}{8}$	$6\frac{11}{16}$ - $6\frac{9}{16}$	$7\frac{1}{2}$ - $7\frac{3}{8}$
Swiss Franc	4 - $3\frac{3}{4}$	$3\frac{3}{4}$ - $3\frac{5}{8}$	$3\frac{3}{4}$ - $3\frac{5}{8}$	$4\frac{1}{16}$ - $3\frac{15}{16}$	$4\frac{1}{4}$ - $4\frac{1}{8}$	$4\frac{5}{8}$ - $4\frac{1}{2}$
Can. Dollar	$5\frac{1}{16}$ - $4\frac{7}{8}$	$5\frac{1}{8}$ - $4\frac{15}{16}$	$5\frac{1}{16}$ - $4\frac{15}{16}$	$5\frac{1}{2}$ - $5\frac{3}{8}$	6 - $5\frac{7}{8}$	$6\frac{7}{8}$ - $6\frac{3}{4}$
US Dollar	$4\frac{3}{4}$ - $4\frac{5}{8}$	$4\frac{15}{16}$ - $4\frac{13}{16}$	$5\frac{1}{16}$ - $4\frac{15}{16}$	$5\frac{5}{8}$ - $5\frac{1}{2}$	$5\frac{15}{16}$ - $5\frac{13}{16}$	$6\frac{1}{2}$ - $6\frac{3}{8}$
Italian Lira	9 - $7\frac{1}{2}$	$8\frac{1}{4}$ - $8\frac{1}{8}$	$8\frac{3}{8}$ - $8\frac{1}{4}$	$8\frac{3}{4}$ - $8\frac{5}{8}$	$9\frac{5}{16}$ - $9\frac{3}{16}$	$10\frac{1}{16}$ - $9\frac{15}{16}$
Yen	$2\frac{3}{8}$ - $2\frac{7}{32}$	$2\frac{3}{8}$ - $2\frac{1}{4}$	$2\frac{3}{8}$ - $2\frac{1}{4}$	$2\frac{3}{8}$ - $2\frac{1}{4}$	$2\frac{1}{2}$ - $2\frac{3}{8}$	$2\frac{13}{16}$ - $2\frac{3}{4}$
Asian $Sing	$2\frac{7}{8}$ - $2\frac{3}{4}$	$2\frac{3}{4}$ - $2\frac{5}{8}$	3 - $2\frac{7}{8}$	$3\frac{3}{8}$ - $3\frac{1}{4}$	$3\frac{3}{4}$ - $3\frac{5}{8}$	$4\frac{1}{8}$ - 4

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate Oct 28

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.28	94.29	+0.02	94.30	94.25	16,093	56,084
Mar	93.81	93.85	+0.08	93.88	93.78	14,032	38,086
Jun	93.39	93.44	+0.08	93.45	93.35	6,898	20,009
Sep	92.99	93.05	+0.08	93.05	92.97	3,266	19,155

■ **THREE MONTH EURODOLLAR** (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec		94.01	-0.03			0	2490
Mar		93.54	-0.06			0	1366
Jun		93.06	-0.07			0	350
Sep		92.72	-0.07			0	56

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.82	94.82	-	94.83	94.80	10865	156396
Mar	94.54	94.53	-0.01	94.55	94.50	19725	154793
Jun	94.16	94.14	-0.02	94.16	94.10	15341	110784
Sep	93.77	93.75	-0.03	93.77	93.70	10476	77538

■ **THREE MONTH EUROLIRA INT.RATE FUTURES** (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	90.94	90.91	-0.03	90.97	90.84	1970	33136
Mar	90.20	90.14	-0.07	90.23	90.08	1843	29859
Jun	89.65	89.58	-0.08	89.66	89.59	389	16253
Sep	89.25	89.21	-0.07	89.28	89.23	335	20540

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.85	95.85	+0.01	95.87	95.82	2035	19644
Mar	95.51	95.53	-0.02	95.56	95.50	1201	17908
Jun	95.16	95.13	-0.02	95.16	95.10	197	5116
Sep	94.79	94.79	+0.01	94.79	94.76	107	1871

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.89	93.88	-0.02	93.89	93.84	372	7816
Mar	93.43	93.43	-0.02	93.45	93.39	406	6948
Jun	92.92	92.92	-0.01	92.93	92.88	171	3835
Sep	92.45	92.44	-0.01	92.45	92.44	5	2465

* LIFFE futures traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Nov 1		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.03	16.64	4.863	2.010	4992	5.448	21.19	497.0	404.6	23.29	4.056	1.984	4.393	3.244	313.7	2.554
Denmark	(DKr)	52.56	10	8.746	2.556	1.056	2624	2.864	11.14	261.2	212.6	12.24	2.132	1.043	2.309	1.705	164.9	1.342
France	(FFr)	60.09	11.43	10	2.922	1.208	3000	3.274	12.73	298.7	243.1	14.00	2.437	1.192	2.640	1.949	188.5	1.535
Germany	(DM)	20.56	3.912	3.422	1	0.413	1027	1.120	4.357	102.2	83.19	4.790	0.834	0.408	0.903	0.667	64.50	0.525
Ireland	(I£)	49.75	9.466	8.279	2.420	1	2484	2.711	10.54	247.3	201.3	11.59	2.018	0.987	2.186	1.614	156.1	1.270
Italy	(L)	2.003	0.381	0.333	0.097	0.040	100.	0.109	0.424	9.956	8.104	0.467	0.081	0.040	0.088	0.065	6.284	0.051
Netherlands	(Fl)	18.35	3.492	3.054	0.893	0.369	916.2	1	3.889	91.22	74.25	4.275	0.744	0.364	0.806	0.595	57.57	0.469
Norway	(NKr)	47.19	8.978	7.853	2.295	0.949	2356	2.571	10	234.6	190.9	10.99	1.914	0.936	2.073	1.531	148.0	1.205
Portugal	(Es)	20.12	3.828	3.348	0.978	0.404	1004	1.096	4.263	100.	81.40	4.687	0.816	0.399	0.884	0.653	63.11	0.514
Spain	(Pta)	24.72	4.703	4.113	1.202	0.497	1234	1.347	5.238	122.9	100.	5.758	1.002	0.490	1.086	0.802	77.54	0.631
Sweden	(SKr)	42.93	8.168	7.144	2.088	0.863	2143	2.339	9.097	213.4	173.7	10	1.741	0.852	1.886	1.393	134.7	1.096
Switzerland	(SFr)	24.66	4.691	4.103	1.199	0.496	1231	1.343	5.225	122.6	99.76	5.744	1	0.489	1.083	0.800	77.35	0.630
UK	(£)	50.40	9.589	8.387	2.451	1.013	2516	2.746	10.68	250.5	203.9	11.74	2.044	1	2.214	1.635	158.1	1.287
Canada	(C$)	22.76	4.331	3.788	1.107	0.458	1136	1.240	4.824	113.1	92.10	5.303	0.923	0.452	1	0.738	71.41	0.581
US	($)	30.83	5.865	5.130	1.499	0.620	1539	1.680	6.532	153.2	124.7	7.180	1.250	0.612	1.354	1	96.70	0.787
Japan	(Y)	31.88	6.065	5.305	1.550	0.641	1591	1.737	6.755	158.4	129.0	7.426	1.293	0.633	1.400	1.034	100.	0.814
Ecu		39.16	7.451	6.517	1.904	0.787	1955	2.134	8.298	194.6	158.4	9.122	1.588	0.777	1.720	1.270	122.8	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open Int.
Dec	0.6650	0.6665	+0.0017	0.6680	0.6650	35,624	87,984
Mar	0.6686	0.6676	+0.0018	0.6687	0.6677	153	5,358
Jun	0.6703	0.6700	-	0.6703	0.6700	638	1,258

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.0365	1.0373	+0.0015	1.0398	1.0357	22,519	61,618
Mar	1.0477	1.0457	+0.0016	1.0478	1.0457	458	2,067
Jun	-	1.0541	-	-	-	1	178

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.7976	0.8005	+0.0034	0.8021	0.7976	18,545	39,965
Mar	0.8033	0.8036	+0.0032	0.8057	0.8033	63	2,067
Jun	-	0.8077	-	0.8077	-	16	178

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.6354	1.6338	-0.0008	1.6380	1.6334	26,186	45,738
Mar	1.6360	1.6330	-	1.6360	1.6330	112	575
Jun	-	1.6290	-	1.6310	1.6290	8	13

UK INTEREST RATES

LONDON MONEY RATES

Nov 1	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	$6\frac{1}{2}$ - $5\frac{1}{4}$	$5\frac{3}{4}$ - $5\frac{1}{2}$	$5\frac{7}{8}$ - $5\frac{3}{4}$	$6\frac{1}{4}$ - $6\frac{1}{8}$	$6\frac{3}{4}$ - $6\frac{1}{2}$	$7\frac{1}{2}$ - $7\frac{3}{8}$
Sterling CDs	-	-	$5\frac{23}{32}$ - $5\frac{5}{8}$	$6\frac{1}{16}$ - 6	$6\frac{5}{8}$ - $6\frac{1}{2}$	$7\frac{1}{4}$ - $7\frac{1}{8}$
Treasury Bills	-	-	$5\frac{11}{16}$ - $5\frac{5}{8}$	$5\frac{7}{8}$ - $5\frac{3}{4}$	-	-
Bank Bills	-	-	$5\frac{13}{16}$ - $5\frac{11}{16}$	$6\frac{1}{16}$ - 6	$6\frac{1}{2}$ - $6\frac{3}{8}$	-
Local authority deps.	$5\frac{13}{16}$ - $5\frac{11}{16}$	$5\frac{11}{16}$ - $5\frac{9}{16}$	$5\frac{3}{4}$ - $5\frac{5}{8}$	$6\frac{3}{16}$ - $6\frac{1}{16}$	$6\frac{11}{16}$ - $6\frac{9}{16}$	$7\frac{7}{16}$ - $7\frac{5}{16}$
Discount Market deps	$6\frac{1}{2}$ - $5\frac{5}{8}$	$5\frac{5}{8}$ - $5\frac{1}{2}$	-	-	-	-

UK clearing bank base lending rate $5\frac{3}{4}$ per cent from September 12, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	$1\frac{1}{2}$	4	$3\frac{3}{4}$	$3\frac{3}{4}$	$3\frac{1}{2}$

Certs of Tax dep. under £100,000 is $1\frac{1}{2}$pc. Deposits withdrawn for cash $\frac{1}{2}$pc.
Ave. tender rate of discount 5.4342pc. ECGD fixed rate Stg. Export Finance. Make up day Oct 31, 1994. Agreed rate for period Nov 26, 1994 to Dec 25, 1994, Schemes II & III 7.23pc. Reference rate for period Oct 1, 1994 to Oct 31, 1994, Schemes IV & V 5.968pc. Finance House Base Rate 6pc from Nov 1, 1994

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.47	93.51	+0.01	93.57	93.39	34177	144523
Mar	92.60	92.70	+0.04	92.76	92.53	32978	70898
Jun	91.94	92.05	+0.01	92.11	91.91	10971	58637
Sep	91.50	91.60	-	91.67	91.47	4245	53787

Traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
9350	0.17	0.06	0.08	0.16	0.86	1.53
9375	0.06	0.02	0.05	0.30	1.07	1.75
9400	0.02	0	0.03	0.51	1.30	1.98

Est. vol. total, Calls 18206 Puts 16001. Previous day's open int., Calls 339854 Puts 203418

EMS EUROPEAN CURRENCY UNIT RATES

Nov 1	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.14801	-0.0009	-2.22	5.79	-
Ireland	0.808628	0.790891	-0.001926	-2.22	5.79	15
Belgium	40.2123	39.4164	-0.0215	-1.98	5.53	14
Germany	1.94964	1.91619	-0.00072	-1.72	5.25	-
France	6.53883	6.56157	-0.0018	0.35	3.06	-3
Denmark	7.43679	7.49692	-0.00082	0.81	2.61	-6
Portugal	192.854	195.992	+0.032	1.62	1.79	-11
Spain	154.250	159.559	+0.07	3.44	0.00	-24
NON ERM MEMBERS						
Greece	264.513	295.386	+0.104	11.67	-7.37	-
Italy	1793.19	1970.58	+10.62	9.89	-5.87	-
UK	0.786749	0.780560	-0.000968	-0.79	4.26	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	Calls Nov	Calls Dec	Calls Jan	Puts Nov	Puts Dec	Puts Jan
1.550	8.30	8.30	8.47	-	0.06	0.33
1.575	5.83	6.07	6.42	-	0.27	0.72
1.600	3.42	4.03	4.57	0.05	0.71	1.36
1.625	1.42	2.43	3.04	0.46	1.54	2.31
1.650	0.31	1.28	1.94	1.84	2.82	3.61
1.675	0.03	0.59	1.14	3.97	4.62	5.30

Previous day's vol., Calls 27,275 Puts 21,975 . Prev. day's open int., Calls 458,859 Puts 407,549

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.05	94.02	-0.03	94.05	94.01	59,403	422,090
Mar	93.59	93.57	-0.04	93.60	93.56	71,724	407,118
Jun	93.11	93.10	-	93.13	93.08	45,329	295,064

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.65	94.62	-0.03	94.65	94.60	675	18,098
Mar	94.12	94.10	-0.03	94.12	94.10	153	10,423
Jun	-	93.64	-	-	93.64	14	5,908

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	Calls Nov	Calls Dec	Calls Jan	Calls Mar	Puts Nov	Puts Dec	Puts Jan	Puts Mar
9475	0.10	0.14	0.08	0.12	0.03	0.07	0.30	0.34
9500	0.01	0.04	0.03	0.06	0.19	0.22	0.50	0.53
9525	0	0.01	0.01	0.02	0.43	0.44	0.73	0.74

Est. vol. total, Calls 321 Puts 173. Previous day's open int., Calls 208759 Puts 185555

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
9575	0.16	0.09	0.07	0.06	0.31	0.69
9600	0.04	0.05	0.03	0.19	0.52	0.90
9625	0.02	0.03	0.01	0.42	0.75	1.13

Est. vol. total, Calls 500 Puts 590. Previous day's open int., Calls 1970 Puts 845

BASE LENDING RATES

	%		%		%
Adam & Company	5.75	Duncan Lawrie	5.75	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	8
Allied Trust Bank	5.75	Exeter Bank Limited	6.75	Royal Bk of Scotland	5.75
AIB Bank	5.75	Financial & Gen Bank	6.5	●Smith & Williamson Secs.	5.75
●Henry Ansbacher	5.75	●Robert Fleming & Co	5.75	TSB	5.75
Bank of Baroda	5.75	Girobank	5.75	●United Bk of Kuwait	5.75
Banco Bilbao Vizcaya	5.75	●Guinness Mahon	5.75	Unity Trust Bank Plc	5.75
Bank of Cyprus	5.75	Habib Bank AG Zurich	5.75	Western Trust	5.75
Bank of Ireland	5.75	●Hambros Bank	5.75	Whiteaway Laidlaw	5.75
Bank of India	5.75	Heritable & Gen Inv Bk	5.75	Yorkshire Bank	5.75
Bank of Scotland	5.75	●Hill Samuel	5.75		
Barclays Bank	5.75	C. Hoare & Co	5.75		
Brit Bk of Mid East	5.75	Hongkong & Shanghai	5.75		
●Brown Shipley & Co Ltd	5.75	Julian Hodge Bank	5.75		
CL Bank Nederland	5.75	●Leopold Joseph & Sons	5.75		
Citibank NA	5.75	Lloyds Bank	5.75		
Clydesdale Bank	5.75	Meghraj Bank Ltd	5.75		
The Co-operative Bank	5.75	Midland Bank	5.75		
Coutts & Co	5.75	* Mount Banking	6		
Credit Lyonnais	5.75	NatWestminster	5.75		
Cyprus Popular Bank	5.75	●Rea Brothers	5.75		

● Members of London Investment Banking Association
* In administration

هكذا من الأصل

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Oct 31 / Sch)

BELGIUM/LUXEMBOURG (Oct 31 / Frs.)

DENMARK (Nov 1 / Kr)

FINLAND (Nov 1 / Mks)

FRANCE (Oct 28 / Frs.)

GERMANY (Nov 1 / Dm.)

NETHERLANDS (Nov 1 / Fls.)

NORWAY (Nov 1 / Kroner)

SPAIN (Oct 31 / Pts.)

SWEDEN (Nov 1 / Kronor)

SWITZERLAND (Nov 1 / Frs.)

ITALY (Oct 31 / Lire)

PACIFIC

JAPAN (Nov 1 / Yen)

AUSTRALIA (Nov 1 / Aus$)

HONG KONG (Nov 1 / H.K.$)

MALAYSIA (Nov 1 / MYR)

SINGAPORE (Nov 1 / S$)

NORTH AMERICA

CANADA

TORONTO (Nov 1 / Can $)

4 pm close

MONTREAL (Nov 1 / Can $)

4 pm close

AFRICA

SOUTH AFRICA (Nov 1 / Rand)

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. High/Lows are for 1994, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Tuesday, November 1, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	16.3m	403	+3	Kawasaki Kisen	3.9m	417	
Kawasaki Steel	11.1m	457	+3	Mitsubishi Hvy	3.4m	786	−3
NKK	9.1m	301	+2	Gunma Bank	3.1m	1090	−10
Sumitomo Mtl	6.2m	365	−2	Nisshin Steel	3.1m	516	+7
Itochu	4.6m	763	+9	Hachijuni Bank	2.9m	1210	−10

INDICES

	Nov 1	Oct 31	Oct 28	1994 High		1994 Low	
Argentina							
General (29/12/77)	(u)	19317.73	19507.79	25479.40	18/2	17769.99	20/4
Australia							
All Ordinaries(1/1/80)	2028.0	2044.9	2021.2	2340.60	3/2	2077.60	27/10
All Mining(1/1/80)	1085.8	1081.0	1070.8	1138.10	3/2	904.60	5/5
Austria							
Credit Aktien(30/12/84)	(c)	387.22	381.43	499.66	2/2	378.94	25/10
Traded Index(2/1/91)	(c)	1040.47	1025.13	1222.28	1/2	1011.38	8/8
Belgium							
BEL20 (1/1/91)	(c)	1375.28	1371.74	1542.65	9/2	1336.39	7/10
Brazil							
Bovespa (29/12/83)	(u)	47979.0	49276.0	56110.00	13/9	3609.99	3/1
Canada							
Metals Minls♦(1975)	(u)	4187.63	4195.65	4278.02	20/10	3290.06	20/4
Composite♦ (1975)	(u)	4291.70	4298.60	4600.90	23/3	3959.99	24/6
Portfolio§§ (4/1/83)	(u)	2076.20	2072.72	2182.89	1/2	1999.48	28/6
Chile							
IPSA Gen (31/12/80)	(c)	6659.5	5924.4	5979.28	19/10	3991.29	4/4
Denmark							
CopenhagenSE(3/1/83)	340.91	344.13	342.09	418.79	2/2	339.11	7/10
Finland							
HEX General(28/12/90)	1940.2	1954.0	1958.8	1972.00	4/2	1801.19	3/1
France							
SBF 250 (31/12/90)	(c)	(c)	1286.92	1585.20	2/2	1227.86	25/10
CAC 40(31/12/87)	(c)	(c)	1906.69	2355.93	2/2	1834.42	25/10
Germany							
FAZ Aktien(31/12/58)	778.63	782.14	768.34	888.27	18/5	742.94	5/10
Commerzbank(1/12/53)	2214.30	2228.30	2188.10	2465.58	2/5	2118.39	5/10
DAX (30/12/87)‡	2069.73	2071.63	2040.32	2271.11	16/5	1980.59	7/10
Greece							
Athens SE(31/12/80)	811.95	815.14	(c)	1194.08	19/1	895.67	25/5
Hong Kong							
Hang Seng(31/7/64)	9573.40	9848.25	9379.47	12201.09	4/1	8389.44	4/5
India							
BSE Sens.(1979)	(c)	4269.88†	4274.71	4628.67	12/9	3484.60	5/1
Indonesia							
Jakarta Comp.(10/8/82)	524.86	523.49	516.41	612.99	5/1	449.72	12/7
Ireland							
ISEQ Overall(4/1/88)	1820.53	(c)	1836.19	2082.16	20/1	1694.14	1/7
Italy							
Banca Comm Ital (1972)	(c)	635.43	624.21	817.17	10/5	588.65	10/1
MIB General (4/1/94)	(c)	1028.0	1010.0	1318.00	10/5	944.60	10/1
Japan							
Nikkei 225 (16/5/49)	19916.49	19989.80	19805.16	21552.81	13/6	17369.74	4/1
Nikkei 300 (1/10/82)	289.19	290.50	286.78	311.71	13/6	258.22	4/1
Topix (4/1/68)	1579.35	1584.66	1567.32	1712.73	13/6	1445.97	4/1
2nd Section (4/1/68)	2205.98	2191.05	2190.06	2842.65	8/7	1873.33	4/1
Malaysia							
KLSE Comp.(4/4/86)	1093.58	1108.85	1113.04	1314.46	5/1	926.33	4/4
Mexico							
IPC (Nov 1978)	(u)	2759.61	2571.52	2881.17	8/2	1957.33	20/4
Netherlands							
CBS TtlRtnGen(End 83)	437.4	441.0	437.8	454.90	31/1	406.30	21/6
CBS All Shr (End 83)	274.7	276.9	274.8	294.80	31/1	257.90	21/6
New Zealand							
Cap. 40 (1/7/86)	2109.32	2100.37	2085.17	2439.64	3/2	1945.61	11/7
Norway							
Oslo SE(Ind)(2/1/83)	1057.42	1065.53	1059.82	1211.18	28/2	980.91	21/6
Philippines							
Manila Comp (2/1/85)	(c)	(c)	3068.52	3308.37	4/1	2507.33	9/3
Portugal							
BTA (1977)	(c)	2880.7	2891.8	3226.88	18/2	2812.80	20/5
Singapore							
SES All-S'pore(2/4/75)	580.82	583.98	581.82	641.61	4/1	523.29	4/4
South Africa							
JSE Gold (28/9/78)	2208.0♥	2224.0	2290.0	2594.09	7/9	1749.00	14/2
JSE Indl. (28/9/78)	6579.0♥	6608.0	6598.0	6757.00	15/6	5448.00	19/1
South Korea							
KoreaCmpEx(4/1/80)**	1116.48	1105.62	1082.58	1116.48	1/11	855.37	2/4
Spain							
Madrid SE (30/12/85)	(c)	286.30	285.33	358.31	31/1	288.85	26/10
Sweden							
AffarsvarldenGen (1/2/37)	1482.00	1485.00	1471.80	1603.90	31/1	1334.70	6/7
Switzerland							
Swiss Bk Ind (31/12/58)	1176.42	1171.88	1157.79	1423.34	31/1	1138.72	27/10
SBC General (1/4/87)	894.53	893.29	886.67	1083.29	31/1	878.57	27/10
Taiwan							
WeightedPr.(30/6/66)**	6201.21	(c)	6604.98	7181.13	30/9	6184.63	19/3
Thailand							
Bangkok SET (30/4/75)	1536.48	1528.83	1508.12	1783.73	4/1	1196.59	4/4
Turkey							
Istanbul Cmp.(Jan 1986)	25116.2	24889.5	(c)	28883.60	13/1	12890.70	24/3
WORLD							
MS Capital Int (1/1/70)$	640.4*	642.8	638.0	644.00	2/9	591.66	4/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	1331.23	1337.14	1326.61	1540.19	31/1	1286.48	5/10
Euro Top-100 (26/6/90)	1180.72	1184.35	1175.34	1311.01	2/2	1136.49	5/10
JCapeDrgns (31/12/88)	(u)	342.03	335.60	395.19	5/1	290.28	21/3
Barings Emerg.(7/1/92)	182.36	183.92	182.03	191.78	26/9	141.85	21/4

** Sat Oct 29: Taiwan Weighted Price 6526.47; Korea Comp Ex 1098.29. Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Nov 1 - 2068.18 +4.80

■ CAC-40 STOCK INDEX FUTURES (MATIF) October 28

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Oct	1864.0	1858.0	+37.0	1895.0	1860.0	33,378	11,281
Nov	1870.0	1916.0	+50.0	1916.0	1866.5	27,284	20,302
Dec	1879.0	1924.5	+50.5	1925.0	1875.0	611	27,335

Open interest figures for previous day.

US INDICES

Dow Jones	Oct 31	Oct 28	Oct 27	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3908.12	3930.66	3875.15	3978.36 (31/1)	3593.35 (4/4)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	95.21	95.21	95.16	105.81 (21/1)	95.16 (28/10)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1526.99	1536.77	1495.32	1862.29 (2/2)	1438.50 (8/10)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	181.39	181.65	178.16	227.86 (3/1)	175.85 (20/9)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3956.90 (3953.54) Low 3889.28 (3863.37) (Theoretical♦)
Day's high 3936.72 (3932.01) Low 3907.78 (3873.80) (Actual♦)

Standard and Poors	Oct 31	Oct 28	Oct 27	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	472.35	473.77	465.85	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	561.38	562.99	554.28	563.10 (28/10)	510.05 (21/4)	563.10 (28/10/94)	3.62 (21/6/32)
Financial	43.73	43.90	42.91	46.94 (14/6)	41.39 (4/4)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	258.69	259.43	255.57	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	456.57	458.16	455.09	487.89 (2/2)	422.67 (28/6)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	777.49	776.15	767.47	803.93 (18/3)	693.79 (24/6)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Oct 28	Oct 21	Oct 14	Year ago
Dow Jones Ind. Div. Yield	2.70	2.72	2.71	2.77
	Oct 26	Oct 19	Oct 12	Year ago
S & P Ind. Div. yield	2.39	2.36	2.37	2.42
S & P Ind. P/E ratio	20.82	21.11	20.91	28.51

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	472.65	471.80	-0.65	472.95	471.50	72,257	210,802
Mar	-	475.65	-	-	-	794	13,904
Jun	-	479.50	-	-	-	283	3,450

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
RJR Nabisco	8,065,500	6⅝	-----
Philip Morris	7,109,600	61⅛	-2⅞
Gen Motors	5,223,400	39½	-⅝
Ford Motor	3,536,100	29½	-⅛
Merck	2,982,000	35¾	-¼
Natl Semi	2,496,800	17⅞	+½
Chrysler	2,458,700	48¾	+⅞
USX-Marthn	2,431,400	18¾	+⅛
Telefonos	2,416,400	55	-1⅛
Compaq	2,241,800	40¼	-½

■ TRADING ACTIVITY

● Volume (million)	Oct 31	Oct 28	Oct 27
New York SE	294.514	381.350	327.810
Amex	15.659	17.302	23.474
NASDAQ	287.416	348.396	286.238
NYSE			
Issues Traded	2,869	2,879	2,875
Rises	1,032	1,646	1,360
Falls	1,156	621	688
Unchanged	681	612	688
New Highs	91	97	44
New Lows	104	126	173

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

4 pm close November 1

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
17 7/8	12 1/4	AAR x	0.48	3.9	20	108	12 7/8	d12 1/8	12 1/4	-1/8
18	12 5/8	A L Labs A	0.18	1.0	40	243	17 7/8	17 1/8	17 1/2	-3/8
78 7/8	57 5/8	AMP x	1.68	2.2	26	2861	75 1/4	74 3/4	75	+1 1/16
72 3/4	48 1/8	AMR			95	4280	54 3/4	54 1/8	54 5/8	-1/2
5	3 3/8	ARX			12	213	3 3/4	3 1/2	3 5/8	+1/4
56 1/8	38 5/8	ASA	2.00	4.2	31	523	48 1/2	47 3/4	48	
32	25 3/4	AbbtL	0.76	2.4	18	7202	31 3/8	30 5/8	31 1/8	+1/8
19 1/4	11 3/8	Abitibi Pr	0.50	3.7	12	284	13 1/2	13 3/8	13 3/8	
23 5/8	17 3/4	ABM Ind	0.52	2.5		19	21	20 5/8	20 5/8	-3/8
18	11 1/8	Acptncelo			30	349	16 5/8	16 1/4	16 1/4	-1/8
31	22 1/4	ACE Ltd	0.44	2.0	27	3486	23	d22	22 1/8	-5/8
12 1/2	9 1/4	ACM Gvt In	1.09	11.7		103	9 1/2	9 3/8	9 3/8	-1/8
10 1/8	7	ACM GvOpp	0.80	10.6		76	7 1/2	7 3/8	7 3/8	-1/8
10 5/8	7	ACM Gvt Sp	0.96	13.5		206	7 1/4	7 1/8	7 1/8	-1/8
12	8 1/4	ACM Gvt Se	1.09	13.3		326	8 3/8	d8 1/4	8 1/4	-1/8
11 3/4	7 3/8	ACM Man	1.08	13.5		372	8 1/8	7 7/8	8	-1/8
9 1/4	8	ACM Managd	0.72	8.8		65	8 1/4	8 1/8	8 1/8	
15 1/2	8 3/4	AcmeClv x	0.44	3.4	16	50	13 3/8	13 1/8	13 1/8	-3/8
13 5/8	6 1/2	Acme Elect			9	270	11 7/8	10 1/2	11 1/4	+7/8
28 3/4	23	Acordia	0.60	2.1	14	10	28 7/8	28 3/8	28 3/8	+1/8
13 3/4	6 3/4	Actava	0.36	4.1	2	858	8 7/8	8 5/8	8 3/4	-1/4
18 3/8	11 1/4	Acuson			136	915	18 1/4	17 1/2	17 3/4	-5/8
18 3/8	16 1/2	Adams Expr	0.48	2.8	0	392	17 1/4	16 7/8	16 7/8	-1/4
64	46 1/2	Ad Micro	3.00	5.4		23	56 1/2	55 1/2	55 1/2	-3/4
31 3/4	16 3/4	AdvMic	3.00	11.7	11	7413	26 1/4	25 5/8	25 3/4	-5/8
6 7/8	5	Advest Grp	0.16	3.0	8	158	5 1/2	5 1/4	5 3/8	+1/8
20	15	Advo Inc	0.10	0.6	118	76	17 3/4	17 3/8	17 3/4	
64	49 3/4	Aegon ADR	1.47	2.4	13	6	62 1/4	61 3/4	62 1/4	+1/2
[illegible]										

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

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4 pm close November 1

NYSE COMPOSITE PRICES

1994 High	1994 Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
Continued from previous page										
9⅝	4¾	Salant Crp			6	581	5	4¾	4⅞	-⅛
49⅞	31¼	Sallie Mae	1.40	4.4	8	2880	32⅛	31¼	31¼	-⅞
13⅝	11⅞	Salomon Br x	0.36	2.9		88	12¼	12⅛	12¼	+⅛
52¾	37	Salomon	0.64	1.7	5	2457	39½	38¼	38⅜	-⅞
25	17½	SDgGE	1.52	7.8	10	491	20	19¾	19⅞	-⅛
10	7½	SantaFeERs	0.16	1.7	10	1288	9¼	8⅞	9¼	+⅛
17⅞	13½	SFeGd				10052	14⅝	14⅛	14⅛	-¼
26¼	12⅛	SanFeP	0.10	0.7		810323	16½	15	16⅜	
26	19⅜	SaraLee	0.88	2.7	16	8529	25	24⅝	24⅞	+¼
50⅛	42	Scana Corp	2.82	6.6	11	121	43⅛	42⅞	42⅞	-½
20½	12½	Scecrp	1.00	7.4	9	3661	13⅞	13½	13½	-⅜
44⅝	31¼	SchererRP			33	865	u44⅝	44⅛	44¼	-⅜
72½	54½	SchrPl x	2.04	2.8	16	4179	72	71⅛	71⅞	+⅜
63	50¾	Schlmb	1.20	2.1	24	4594	58⅜	58	58⅛	-⅝
37	23¾	Schwab(C) x	0.28	0.8	16	1500	35¼	35⅛	35⅛	-⅞
10⅝	6⅛	Schweitzer			29	635	10⅛	9⅝	10	+⅝
22⅝	12⅞	SciAtl	0.06	0.3	42	3828	21⅞	21⅜	21⅜	-¼
16⅞	13	Scotman	0.10	0.6	14	16	15⅞	15⅝	15⅞	+⅛
67½	37¼	ScottP	0.80	1.2	20	4605	69¼	64⅝	64⅝	-1½
26⅝	18⅝	ScudderNAsF	0.21	0.9		89	24¼	23⅝	23⅝	-⅝
12⅝	9⅛	ScudderNEuF	0.16	1.7		250	9⅝	9⅝	9½	-¼
18¼	13½	SeaCnB x	0.70	4.7	7	59	14⅞	14⅞	14⅞	-⅝
16½	14⅝	SeaC1.4625	1.46	9.6		6	15¼	15¼	15¼	
32⅝	26¼	Seagrm	0.60	2.0	38	1378	30¾	30⅝	30⅝	-½
29¾	21⅞	Seagull En			32	3385	25¾	24⅝	24⅞	-1⅛
36¼	26⅝	Sealed Air			25	93	34¼	33⅞	34¼	+⅛
55⅛	42⅛	SearsR	1.60	3.3	7	5340	49½	48	48⅜	-1⅛
12⅞	10	Seligm Sel	0.84	8.2		145	10⅜	10⅛	10¼	
[illegible]										

1994 High	1994 Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
16⅛	10	Talley Pf	1.00	6.8		[illegible]				
44½	34⅝	Tmbrds	1.76	4.4	21	[illegible]				
19⅛	10½	Tandem			3	[illegible]				
49⅞	30¼	Tandy	0.60	1.4	17	[illegible]				
12¼	8¾	Taurus Muth	0.70	7.7		[illegible]				
4	2⅝	TCCInd				[illegible]				
22⅝	18⅛	Teco Energ x	1.01	5.3	14	[illegible]				
40½	23⅝	Tktrnx	0.60	1.6	24	[illegible]				
29⅝	24⅛	TeleDa				[illegible]				
26⅝	14¾	Teldyn	0.80	4.7	99	[illegible]				
48⅛	34⅝	TeleEspSA	1.89	4.2	7	[illegible]				
76	50⅛	Telmex	1.51	2.8	11	[illegible]				
58¾	43¾	Tmplnl	1.00	2.1	39	[illegible]				
30⅝	19½	TempEmMk x	0.10	0.4		[illegible]				
8⅝	6¼	TempGlob x	0.80	9.4		[illegible]				
8	6½	TemplGlFd	0.60	9.2		[illegible]				
58¾	42¾	Tenneco	1.60	3.7	16	[illegible]				
38	25⅝	Teppco Pts x	2.40	9.0	10	[illegible]				
33⅞	20⅜	Teradyne			32	[illegible]				
9⅞	4¼	Terex	0.05	0.8	1	[illegible]				
13⅛	6⅞	Terra Inds	0.08	0.8	30	[illegible]				
12⅞	5¼	Tesoro			17	[illegible]				
68⅛	58⅛	Texaco	3.20	5.0	141	[illegible]				
39¾	29⅝	Texas Ind x	0.20	0.6	40	[illegible]				
89½	61	TxInst	1.00	1.3	14	[illegible]				
21½	18¼	Texas Pac	0.40	2.0	24	[illegible]				
43⅛	29⅝	TxUtl	3.08	9.7	19	[illegible]				
4⅝	2¾	Texf Inds	1.10	38.3	1	[illegible]				
60⅝	47¼	Textrn	1.40	2.7	12	[illegible]				
4¾	4	Thackeray			212	[illegible]				
[illegible]										

[illegible]

NASDAQ NATIONAL MARKET

4 pm close November 1

[illegible]

AMEX COMPOSITE PRICES

4 pm close November 1

[illegible]

AMERICA

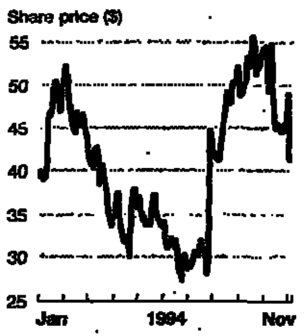
NAPM report leaves Dow sharply lower

Wall Street

US share prices were sharply lower across the board yesterday morning in the wake of a weaker bond market, which was disturbed by a stronger-than-expected manufacturing sector report, *writes Patrick Harverson in New York.*

By 1 pm, the Dow Jones Industrial Average was down 26.91 at 3,881.21. The more broadly-based Standard & Poor's 500 was also markedly lower at the halfway mark, down 3.19 at 469.16, while the American Stock Exchange composite was off 3.20 at 455.77 and the Nasdaq composite off 5.52 at 771.97. Trading volume on the NYSE was 183m shares by 1 pm.

Biogen



Source: FT Graphite

Following Monday's losses, the stock market opened in a bearish mood. Early losses in the bond market only deepened the gloom. The losses, which sent the yield on the 30-year back above 8 per cent, were prompted by a rise in the National Association of Purchasing Management's index of business activity from 58.2 per cent in September, to 59.7 per cent in October.

Wall Street had expected a 59.0 per cent reading and analysts said the data only increased the likelihood that the Federal Reserve would raise interest rates at some time within the next month. The consensus was that monetary policy would be tightened following the November 15 meeting of the Fed's open market committee.

Share prices fell because stock market investors were fearful that another interest rate increase would slow the economy down too far, and break the pattern of steady growth in corporate earnings. Also, higher interest rates could eventually persuade investors to move out of stocks and into fixed-income assets.

Among individual stocks, cyclicals were notably weaker, unsettled by concerns about the long-term economic outlook. Caterpillar slipped $1 to $58⅞, International Paper fell $1¼ to $73¼ and Minnesota Mining & Manufacturing dropped $1 to $54⅞.

The oil sector, which had a good run last week, ran into selling after the broking house Prudential Securities downgraded several leading stocks. Mobil fell $1⅛ to $83⅞, Exxon $1⅛ to $61⅞, Royal Dutch Petroleum $1⅞ to $114⅞ and Chevron $⅞ to $44⅞.

In the Nasdaq market, Biogen plunged $8⅞ at $40⅞ in volume of 6.5m shares as investors reacted to Monday's late news that the company was taking a $25m pre-tax charge to cover the cost of halting the development of its anticoagulent Hirulog, which was one of its most promising drugs.

Canada

Toronto was lower at midday, pressured by inflation fears after vainly trying to recover in earlier trading. The TSE 300 composite index was 20.14 lower at 4,271.51 by noon in volume of 26.3m shares.

Three of Toronto's 14 sub-indices remained higher at midday, but rate-sensitive conglomerates fell 0.9 per cent while financial services, also sensitive to high bond market yields, lost 0.7 per cent.

Forestry fell 0.8 per cent as MacMillan Bloedel lost C$⅞ to C$18⅞ and Fletcher Challenge Canada class A gave up C$⅞ to C$17¼.

Brazil falls by 2.5%

Shares in São Paulo were off 2.5 per cent at midday, with the Bovespa index of the 55 most active stocks down 1,216 at 46,763 in turnover of R$147.3m ($174.3m).

Investors were worried about fears of higher inflation, with forecasts that the November rate could reach 3 per cent after a 1.9 per cent rise in October.

Telebras preferred was off 2.2 per cent at R$39.80, Vale do Rio Doce, the mining group, was down 3.5 per cent at R$176.50 and Petrobras had declined 3.1 per cent to R$126.

● Merrill Lynch, the US investment bank, has reduced its portfolio weighting in the Latin American markets in view of the gains shown since the summer and their "historic sensitivity to sharp movements in US interest rates". It added that Brazil faced a difficult few months ahead and that the change in government could mark a correction from recent gains. The bank said it had increased its portfolio weightings in Singapore, Malaysia, Indonesia and Japan.

Johannesburg weakens

De Beers fell by a net R2 at R96.50 after an earlier loss of R3. Dealers said that the group was under pressure from a court trial in the US where General Electric Co is alleged to have conspired in 1991 and 1992 with a De Beers affiliate to fix prices of industrial diamonds.

The stock, they said, was also being hit by speculation that the Central Selling Organisation's marketing agreement with Russia was coming under pressure.

The broad market lost ground as the lower bullion price and weak world markets made their effect felt.

The overall index came off its low for the day to end 15 down at 5,708, industrials slipped 29 to 6,578 and golds shed 16 to 2,208, also off the day's worst.

Anglos were marked up by R1 to R237. Engen dipped 50 cents to R34.50 ahead of its annual results, while Sasol lost 75 cents at R34.75.

EUROPE

Sleepy bourses offer mild reaction to US data

For once, the reaction to US data, as the NAPM October index came out much higher than expected, was more marked in the US than in Europe, *writes Our Markets Staff.* Among senior bourses, Paris, Milan and Madrid were closed for All Saints Day.

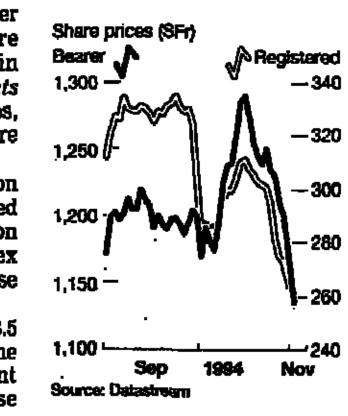
ZURICH saw further action in UBS, as the market mulled nine-month figures out late on Monday, but the SMI index shed 2.6 to 2,503.9 in otherwise quiet conditions.

UBS bearers fell SFr41 or 3.5 per cent to SFr1,136 and the registered SFr10 or 3.7 per cent to SFr257 as Credit Suisse reduced its earnings estimates for this year and next.

However, Mr Ian McEwan at Merrill Lynch said that the figures were in line with expectations and the share price fall a further reaction to the board's continuing battle for influence with Mr Martin Ebner's BK Vision, which holds about 18 per cent of the registered stock. In his view, the bearers were still "wildly overvalued", and he saw SFr1,000 as a more realistic valuation.

The registered were trading at a premium of 34.4 per cent to the bearers on September 29,

UBS



Source: Datastream

when the board announced its plans for a single share category to curb the power of predators. By yesterday, the premium had fallen to 13.1 per cent, suggesting that the market expected the board to win its battle with Mr Ebner. BK Vision fell SFr40 or 3.1 per cent to SFr1,250, taking cumulative losses since the battle lines were drawn to 13.8 per cent.

CS Holding, continuing to benefit from switching out of UBS, picked up SFr8 to SFr557.

Insurers, too, rose further, Zurich adding SFr18 at SFr1,163 and Swiss Re bearers advancing SFr12 to SFr775.

FRANKFURT's Dax index closed the session at 2,069.73, fell to just over 2,062 after the NAPM data, and then recovered to an Ibis-indicated afternoon close of 2,066.18, up 4.60. Pressure from bund futures eased towards the end.

Stuttgart, Düsseldorf and Munich were closed for the holiday, and German stock market turnover fell from DM5.6bn to just DM3bn. Ms Barbara Altmann at B Metzler in Frankfurt observed that share price moves needed to be approached with care.

However, two of the main Ibis Dax moves, Volkswagen up DM9.20 to DM446.20 and Mannesmann up DM7.90 to DM407.40, might be significant, she said. VW and Mannesmann both came under pressure some weeks ago as the weak dollar threatened export-oriented cyclicals; the currency weakness might not be at an end, but there might be some hope for its victims.

AMSTERDAM marked DSM down heavily as the chemicals group turned in third-quarter figures at the lower end of analysts' expectations, and the shares dipped Fl 5.00 or 3.4 per cent to Fl 141. However, an element of profit-taking was also in evidence following solid gains in the stock over the past week.

Brokers expected DSM to rally in the medium term given the forecasts for good full-year figures, while the group remarked that the weaker dollar was not expected to have a significant effect on earnings, at least in the short-term.

The AEX index ended with a loss of 2.37 at 410.25.

KLM went against the trend on brokers' upgrades ahead of today's first-half results, and the shares advanced Fl 1.60 to Fl 48.50. There were expectations that the airline would return net profits in the region of Fl 300m.

STOCKHOLM eased gently as good corporate results offset the international mood. The Affärsvärlden General index fell 3.00 to 1,482.00 in moderate turnover of SKr2.25bn.

Results came from Aga, the industrial gases group, which put on SKr5 to SKr73, although James Capel said that its forecast of a 20 per cent rise in profits this year was in line with expectations. However, there was no argument about Autoliv, the car safety equipment company: earnings per share were up 81 per cent after nine months, and the shares rose SKr22, or nearly 9 per cent to SKr276.

OSLO's All-share index finished 4.37 down at 600.67 in turnover of NKr478m. Hafslund Nycomed "A" closed NKr1.50 higher at NKr120, its nine-month results proving above some expectations. Den norske Bank, reporting in line with forecasts, saw its free "A" shares slip NKr0.10 to NKr16.90 on profit-taking after a strong showing on Monday.

COPENHAGEN was led lower by a sharp decline in AP Moller's stocks amid worries about the effect on the shipping group of the weak dollar and poor international shipping rates. The KFX index fell 1.20 to 93.47.

Moller's 1912 "B" share fell DKr4,000 to a year's low of DKr98,000 while its Svendborg "B" stock shed DKr5,500 to DKr141,000.

HELSINKI was pulled lower by declines in forestry shares and Nokia, the telecoms based conglomerate. The Hex index slipped 13.8 to 1,940.2. One of the sadder stories was the drop of FM3.50 to a new 1994 low in EffJohn, whose Silja Line subsidiary, in the ferry business but not connected to the Estonia sinking at the end of September, said that the number of its passengers fell by 15 per cent last month.

Written and edited by William Cochrane, John Pitt and Michael Morgan

FT-SE Actuaries Share Indices

Nov 1 — THE EUROPEAN SERIES

Hourly changes	Open†	10.30†	11.00†	12.00†	13.00†	14.00†	15.00†	Close†
FT-SE Eurotrack 100	1336.28	1336.69	1335.58	1336.22	1336.01	1334.79	1334.81	1331.23
FT-SE Eurotrack 200	1398.70	1398.49	1397.95	1398.56	1398.06	1396.70	1395.95	1392.30

	Oct 31	Oct 28	Oct 27	Oct 26	Oct 25
FT-SE Eurotrack 100	1337.14	1326.61	1303.28	1300.71	1296.00
FT-SE Eurotrack 200	1400.54	1386.91	1361.02	1358.10	1356.47

Base 1000 (26/10/90); High/day: 100 - 1337.48; 200 - 1399.17 Low/day: 100 - 1330.38 200 - 1390.40 † Partial

ASIA PACIFIC

Dollar's decline against yen leaves Nikkei easier

Tokyo

The dollar's fall to the Y96 level and Monday's decline on Wall Street generated caution, and the Nikkei 225 average declined on arbitrage linked selling, *writes Emiko Terazono in Tokyo.*

The index lost 73.12 at 19,916.48 after a day's high of 19,929.49 and low of 19,836.97. Unwinding of arbitrage positions depressed share prices, while financial institutions took profits on large-capitalisation stocks.

Volume was 250m shares, against 243m. The Topix index of all first section stocks shed 5.31 to 1,579.35 and the Nikkei 300 dipped 1.31 to 289.19. Losers led gainers by 531 to 410, with 210 issues unchanged. The ISE/Nikkei 50 index eased 0.41 to 1,300.45.

Traders said sentiment was depressed by the low trading volumes. The balance of margin buying reflected sluggish activity, with the outstanding balance of stocks bought on margin last week falling for the 14th consecutive week. The balance of margin buying on the Tokyo, Osaka and Nagoya exchanges was down Y10.3bn from the previous week to Y3,036.8bn, while investors sold short a net Y419.6bn, up by Y1.4bn.

Softbank, an over-the-counter software company, was suspended from trading for the day due to reports that it would take over the trade-show business of Ziff Communications, a US media company, for around $200m.

Large-capitalisation shares retreated on profit-taking: Mitsubishi Heavy Industries declined Y3 to Y786. However, Nippon Steel, the day's most active issue, rose Y3 to Y403.

The retail sector was the biggest loser, with Jusco, a large supermarket chain, falling Y50 to Y2,130 and Seiyu losing Y40 to Y1,150. High-technology exporters were down on the higher yen: Toshiba receded Y11 to Y753 and Fujitsu Y20 to Y1,090.

Japan Telecom finished Y80,000 firmer at Y3.62m, while Japan Tobacco rose Y30,000 to Y1.11m. The latter was left untraded for the bulk of the afternoon, reflecting the lack of enthusiasm among investors towards the overall market.

Teijin, a textile company, gained Y14 at Y600 on projections of an earnings recovery, while Alpine Electronics added Y40 at Y2,020 after a rise in its interim recurring profits.

Stock prices in Osaka eased in light activity, the OSE average losing 6.51 at 22,088.44 in volume of 32.1m shares.

Roundup

Weakness was widespread among the region's markets.

TAIPEI dropped by 5 per cent as institutions sold heavily in the electronics and financial sectors. The weighted index plummeted 325.26 to 6,201.21 in turnover of T$52.82bn. Walsin Wire and Cable, the day's second most active issue, fell T$1 to T$32.90 and, among banks, ICBC lost T$6.50 at T$90.50. China Development declined by the daily 7 per cent limit to T$131.50.

Marine shares that had previously risen on sound profits forecasts were also weak – the most active issue, Yang Ming Marine, was limit down at T$36.90.

Brokers said the market was expected to consolidate before parliamentary elections due on December 3.

HONG KONG was lower on profit-taking after the strong gains of recent sessions. The Hang Seng index slipped 72.85 to 9,573.40, while the Hang Seng China Enterprises index, which monitors H-shares of mainland China companies, receded 27.16 to 1,361.82 after Monday's 4 per cent rise.

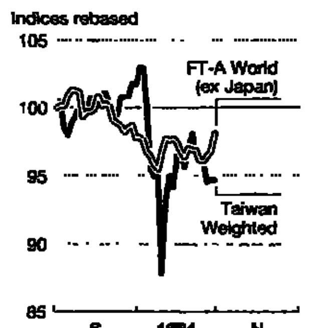
Turnover shrank to HK$3.22bn from the previous day's HK$4.15bn.

Hong Kong Telecommunications, whose interim net profits gain of 15 per cent was in line with expectations, relinquished 35 cents at HK$16.20 on profit-taking, and as analysts voiced concern at lower than expected revenue growth.

Among the H-shares, Kunming Machine went against the trend, gaining 5 cents at HK$3.10, in spite of a pessimistic report on its prospects by Salomon Brothers.

SEOUL remained marginally ahead in active trading after profit-taking and a state fund's intervention erased much of an early strong gain. The composite index closed 2.81 firmer at 1,108.43, off a day's high of 1,116.48, in volume of 51.2m shares, compared with Monday's 55.9m.

Taiwan



Source: Datastream

The sharp early rise in the index for the third straight day prompted profit-taking across the board and sell orders worth Won31.5bn by the stock market stabilisation fund.

KUALA LUMPUR saw further forced selling by clients unable to meet margin calls and the market finished 1.4 per cent lower, the composite index losing 15.27 at 1,093.58. Trading, however, was subdued ahead of a public holiday today.

Tenaga Nasional, the utility giant, was among the day's big losers, tumbling 60 cents to M$13.00.

SINGAPORE was lower after the overnight fall on Wall Street and in response to the forced selling of Malaysian stocks by clients unable to meet margin calls.

The Straits Times Industrial index fell 14.84 to end at the day's low of 2,364.19.

DBS Land warrants were actively traded, losing 4 cents at S$1.92, after an intraday high of S$2.04.

SYDNEY declined as sentiment was hit by renewed weakness in offshore markets. The All Ordinaries index fell 16.8 to 2,028.0, while an estimated 199m shares were traded, valued at A$749m.

All the leading issues were weaker, with BHP closing 14 cents down at A$20.50 in volume of 1.96m shares.

Miners were hit by lower commodity prices – CRA dipped 12 cents to A$19.04 and MIM 3 cents to A$2.90. WMC ended 14 cents lower at A$8.25.

Amcor, the packaging group which announced that it had launched an A$134m takeover bid for RIG Rentsch Industrie Holding, of Switzerland, shed 11 cents to A$8.85.

BANGKOK weathered profit-taking throughout the day to close higher. The SET index moved ahead 7.65 to 1,536.48 in heavy turnover of Bt9.6bn.

Scattered buying appeared in communication issues, banks and construction materials companies, while selling emerged in the finance and property sectors.

KARACHI eased towards the close on the first day of the new account. The KSE 100-share index shed 8.75 to 2,202.34, with losers leading gainers by 213 to 93. Dewan Textile fell Rp10 to Rp350.

WELLINGTON was supported by strength in leading stocks, which helped the NZSE-40 capital index to a gain of 8.85 at 2,109.32 in turnover of NZ$41.8m.

Carter Holt Harvey and Fletcher Challenge both rose by 5 cents to NZ$4.43 and NZ$3.99 respectively, while Brierley Investments gained 1 cent to NZ$1.23. All three stocks attracted high turnover, indicating overseas support.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY OCTOBER 31 1994								FRIDAY OCTOBER 28 1994					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (68)	174.16	1.2	158.36	106.73	136.52	156.07	1.3	3.55	172.12	157.20	105.90	135.07	154.08	189.15	149.36	159.37
Austria (16)	183.20	1.0	166.58	112.27	143.60	143.52	1.0	1.12	181.32	165.59	111.56	142.28	142.15	198.89	167.46	180.23
Belgium (35)	169.72	0.3	154.32	104.01	133.03	129.85	0.3	4.25	169.17	154.50	104.08	132.75	129.50	177.04	149.33	151.18
Canada (103)	136.64	0.1	124.24	83.74	107.10	133.83	0.2	2.63	136.58	124.73	84.03	107.17	133.50	145.31	120.54	133.51
Denmark (33)	254.67	0.9	231.56	156.07	199.62	204.39	0.9	1.45	252.29	230.41	155.23	197.98	202.53	275.79	230.27	238.10
Finland (24)	198.88	-0.6	180.83	121.88	155.89	192.88	-0.2	0.73	200.12	182.76	123.12	157.03	193.36	201.41	116.85	125.88
France (101)	170.62	0.1	155.13	104.56	133.73	138.19	0.0	3.14	170.51	155.72	104.91	133.80	138.19	186.37	159.34	168.07
Germany (58)	145.23	1.6	132.06	89.00	113.84	113.84	1.4	1.82	143.02	130.61	87.99	112.23	112.23	150.40	128.37	134.11
Hong Kong (56)	391.00	2.7	355.53	239.62	306.49	387.90	2.7	3.08	380.77	347.75	234.28	298.81	377.76	506.56	341.29	372.87
Ireland (14)	209.39	0.2	190.39	128.32	164.13	183.81	0.0	3.44	208.88	190.77	128.52	163.92	183.81	218.60	171.86	174.19
Italy (59)	79.74	1.0	72.50	48.87	62.50	91.86	0.9	1.71	78.94	72.10	48.57	61.95	91.01	97.78	57.88	68.91
Japan (468)	164.12	1.6	149.23	100.58	128.65	100.58	1.2	0.76	161.56	147.55	99.40	126.78	99.40	170.10	124.54	151.33
Malaysia (97)	542.27	-0.9	493.08	332.33	425.06	533.95	-0.8	1.57	547.46	499.98	336.84	429.61	538.26	621.63	430.71	476.91
Mexico (18)	2111.01	-0.7	1919.47	1293.70	1654.68	7930.54	-0.7	1.29	2126.47	1942.04	1308.35	1668.68	7982.34	2647.08	1696.28	1819.27
Netherland (19)	223.30	1.4	203.04	136.84	175.03	172.28	1.3	3.35	220.32	201.22	135.56	172.90	170.04	223.30	187.01	195.05
New Zealand (14)	76.34	0.4	69.42	46.79	59.84	65.83	0.4	3.69	76.01	69.42	46.77	59.65	65.57	77.59	59.22	67.32
Norway (23)	205.31	0.3	186.68	125.82	160.93	182.68	0.2	1.81	204.73	186.97	125.96	160.65	182.27	211.74	165.52	184.46
Singapore (44)	401.38	1.1	364.96	245.98	314.62	271.95	1.0	1.55	396.96	362.54	244.24	311.51	269.18	401.38	294.68	323.13
South Africa (59)	332.71	-0.6	302.52	203.90	260.79	292.34	-0.7	2.18	334.57	305.55	205.85	262.54	294.33	342.00	202.72	214.53
Spain (38)	142.56	0.5	129.63	87.37	111.74	135.48	0.3	4.31	141.87	129.56	87.29	111.33	135.03	155.79	128.66	143.61
Sweden (36)	242.62	1.0	220.61	148.69	190.18	258.96	1.3	1.54	240.31	219.47	147.85	188.58	255.69	242.62	175.83	203.53
Switzerland (47)	164.07	1.1	149.18	100.55	128.60	127.96	0.9	1.90	162.30	148.23	99.86	127.38	126.80	178.56	143.64	146.93
United Kingdom (204)	205.01	0.8	186.41	125.64	160.70	186.41	0.4	4.08	203.28	185.65	125.07	159.52	185.65	214.96	181.11	191.21
USA (515)	192.78	-0.3	175.29	118.14	151.11	192.78	-0.3	2.83	193.37	176.60	118.96	151.74	193.37	196.04	178.95	190.64
EUROPE (707)	175.29	0.9	159.39	107.42	137.40	150.65	0.7	3.10	173.79	158.72	106.93	136.38	149.67	178.58	154.79	161.48
Nordic (116)	233.25	0.6	212.09	142.95	182.83	212.40	0.9	1.39	231.81	211.70	142.62	181.90	210.60	233.91	173.19	182.59
Pacific Basin (747)	173.52	1.5	157.78	106.34	136.02	111.53	1.2	1.08	170.91	156.09	105.16	134.12	110.21	176.86	134.79	159.63
Euro-Pacific (1454)	174.14	1.2	158.34	106.72	136.50	127.25	1.0	1.94	172.00	157.09	105.83	134.97	126.03	175.14	143.88	160.28
North America (618)	189.29	-0.3	172.12	116.00	148.37	188.72	-0.3	2.82	189.85	173.38	116.81	148.98	189.25	192.73	175.67	187.10
Europe Ex. UK (503)	155.72	0.9	141.59	95.43	122.06	129.73	0.8	2.50	154.38	140.99	94.98	121.14	128.70	158.12	135.94	142.33
Pacific Ex. Japan (279)	265.07	1.2	241.02	162.44	207.77	235.15	1.3	2.74	261.85	239.14	161.11	205.48	232.18	296.21	232.54	239.85
World Ex. US (1634)	175.89	1.1	159.93	107.79	137.87	130.96	0.9	1.95	173.89	158.81	106.99	136.45	129.80	176.65	145.58	161.01
World Ex. UK (1945)	178.07	0.6	161.91	109.13	139.58	148.27	0.5	2.06	176.99	161.64	108.89	138.88	145.58	178.59	155.96	167.81
World Ex. So. Af. (2090)	179.46	0.7	163.18	109.98	140.67	148.88	0.5	2.26	178.30	162.84	109.70	139.92	148.16	180.03	158.54	169.68
World Ex. Japan (1681)	191.22	0.2	173.87	117.19	149.89	178.96	0.2	2.89	190.76	174.22	117.37	149.69	178.65	195.20	176.34	181.58
The World Index (2149)	180.44	0.6	164.07	110.58	141.44	149.94	0.5	2.26	179.31	163.75	110.32	140.70	149.24	180.80	158.85	169.88

Latest prices were unavailable for this edition. Markets Closed 31/10/94: France and Ireland.